

## How to use this report

his Performance and Accountability Report for fiscal year (FY) 2004 provides the General Services Administration's (GSA) financial and performance information, enabling the President, Congress and the American people to assess the Agency's performance as provided by the requirements of the:

- Reports Consolidation Act of 2000 and other laws;
- Government Management Reform Act of 1994;
- Government Performance and Results Act of 1993;
- Chief Financial Officers Act of 1990; and
- Federal Managers' Financial Integrity Act of 1982.

The assessment of GSA's performance contained in this report compares performance results to the Agency's strategic goals and performance goals. GSA's Strategic Plan, Performance Plan, and annual Performance and Accountability Reports are available on GSA's Web site at www.gsa.gov/annualreport. GSA welcomes feedback on the form and content of this report. From GSA's Web site choose a contact.

This report is organized into the following major components:

## 1 LETTER FROM THE ADMINISTRATOR OF GSA

The Administrator's letter includes an assessment on the reliability and completeness of the financial and performance information presented in the report and a statement of assurance on the agencies' management controls as required by the FMFIA.

## 2 Management's Discussion and Analysis (MD&A)

This section provides an overview of the financial and performance information contained in the Performance Section, Financial Section and Appendices. The MD&A includes an overview of the GSA organization, highlights of the Agency's most important performance goals and results, current status of systems and internal control weaknesses and other pertinent information such as the progress being made by GSA in implementing the President's Management Agenda (PMA) and the key management challenges identified by the Office of Inspector General.

### 3 Performance Section

This section provides the annual performance information as required by Office of Management and Budget Circular A-11 and the Government Performance and Results Act. Included in this section is a detailed discussion and analysis on the agency's performance in FY 2004. Information on key performance measures with past results can be found in the Performance Section.

#### 4 FINANCIAL SECTION

This section contains the details on GSA's finances in FY 2004. An introduction letter from GSA's Chief Financial Officer, followed by the Independent Auditor's Report, the Agency's audited financial statements and other supplemental financial information containing the Inspector General's response to the management challenges facing GSA, and information on the agency's Debt Management, Payments Management, Erroneous Payments, and intra-government balances.

## **5** APPENDICES

A discussion of the data sources used in this report, summary chart of performance information, and a glossary of acronyms.

## MISSION STATEMENT

GSA HELPS FEDERAL AGENCIES BETTER SERVE THE PUBLIC BY OFFERING, AT BEST VALUE, SUPERIOR WORKPLACES, EXPERT SOLUTIONS, ACQUISITION SERVICES, AND MANAGEMENT POLICIES.

## STRATEGIC GOALS

Provide best value for customer agencies and taxpayers

ACHIEVE RESPONSIBLE ASSET MANAGEMENT

OPERATE EFFICIENTLY AND EFFECTIVELY

Ensure financial accountability

Maintain a world-class workforce and a world-class workplace

CARRY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY

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Over many years, the Administrator's office has been the site of events which have had a lasting impact on the country. Because it has been well preserved, a visitor stepping into the room today can begin to imagine how it must have appeared 50 or 75 years ago. In 1921-22, it was home to the "Teapot Dome" scandal under Department of Interior Secretary Albert Fall.

## LETTER FROM THE ADMINISTRATOR

## FY 2004 PERFORMANCE AND ACCOUNTABILITY REPORT

#### CORE MISSION

he U.S. General Services Administration's (GSA) core mission includes the critically important role of helping other Federal government agencies acquire superior workplaces with the equipment, products, and services they need to

operate successfully. The GSA mission also includes the important role of helping to enhance public accessibility to information about government programs and activities. I'm very proud to report that during fiscal year (FY) 2004, GSA associates continued to achieve high performance in meeting the requirements of our Federal customers and the American people. Agencies rely upon GSA for acquisition and property management services and we are strongly committed to meeting their needs.



The unprecedented success achieved by GSA in FY 2004 is the result of our dedication to public service and our commitment to continuous improvement. A key to this success is a rigorous Performance Management Process (PMP) we have adopted to enable us to identify areas where there is a need for improvement, to develop specific action plans, and to execute them as necessary to achieve the desired results.

For example, our discovery of certain contracting irregularities and non-compliance with Federal Acquisition Regulations (FAR) at some of our Information Technology (IT) Solutions Centers led to the development of performance improvement goals and corrective action plans. These components have been consolidated into the GSA-wide "Get It Right" Plan for Excellence in Federal Acquisition. The plan will assure proper use of contracting vehicles, full and open competition, efficiency, integrity, and best value for the government. Additionally, we are using the PMP to establish a resultsoriented culture and to lay the foundation for progress toward GSA's ambitious performance objectives.



Stephen A. Perry

GSA's aggressive push to meet the everincreasing requirements of our customer agencies and the American people comes directly from President Bush's Management Agenda. The PMP was built from several major components, including setting challenging goals based upon specific customer requirements, documenting detailed strategy and action plans, measuring performance on a regular basis, and accountability for results.

Customer-focused goal setting has been made possible by significant improvements in our approach to Customer Relationship Management (CRM). Increased strategic interactions with program and acquisition management officials at each customer agency are crucial for us to understand their requirements for GSA's acquisition services. When information is obtained in a timely manner, we can work together proactively to develop goals and execute strategies that yield the best value for the agency.

#### ORGANIZATIONAL PERFORMANCE PLANNING

The GSA PMP is rigorous and detailed. To achieve success with each major goal, we have documented a detailed strategy and action plan indicating what must be done, by whom, and by when. The GSA-wide goals, strategies, and action plans have been cascaded into Organizational Performance Plan documents for each GSA unit and into individual Associate Performance Planning and Appraisal System (APPAS) documents for each GSA associate. Last, we have implemented a Performance Measurement Tool (PMT) that we use regularly to measure performance by comparing actual results to planned results. The PMT data is accessible to all GSA associates. Regular performance reviews during the year provide useful guideposts letting associates and organizations know where corrective action may be required in order to arrive at goals successfully. At year-end, the information is used for purposes of accountability, reward, and recognition.

Continued on following page

#### RESULTS

While we certainly recognize the need to continue to enhance the effective utilization of the PMP, we are pleased that the process has facilitated improvement during FY 2004 in several areas, including the following:

GSA continued to assist Federal agencies in the acquisition of workspace, products and services for use by 1.1 million Federal workers:

- Improved life-cycle management of Federal real property assets, including reduction of the backlog of repairs and alterations (R&A) and the disposition of surplus assets.
- Improved efficiency in leasing office space with the use of new National Broker Contracts.
- Improved efficiency in processing customer orders for IT products and services will result from the newly developed system, GSA-Preferred.

GSA is supporting the Department of Defense (DOD) in the global war on terrorism by:

- Working with Defense Logistics Agency to ensure that Federal Supply Service (FSS) products are included in a distribution operation to be established in-theatre (wherever our troops are stationed).
- Providing IT support through the Federal Systems
   Integration and Management Center for the U.S.
   European Command to support and oversee troop
   movements in Iraq.
- Working with Coalition Joint Task Force 7 in Iraq to provide Land Mobile Radio service to nine Iraqi cities; as well as with U. S. Army's Third Signal Corps in Iraq to commercialize telecom and IT services for troops rotating out of theater, and to provide Voice over Internet Protocol (VoIP) kiosks at 160 sites for the use of our troops in-theater.
- Providing services so that 45,000 dependent children can communicate via e-mail with their parents in Iraq, Afghanistan, and Bosnia.

 Enabling the Marines and other members of the military to order and pay for military requirements while in the field through the Agency's online ordering system.

GSA is supporting the Department of Homeland Security (DHS), including the Federal Emergency Management Agency (FEMA) by:

- Continuing to help FEMA respond to threats, natural disasters, and other emergencies, including four hurricanes that struck the United States over a six-week period last summer.
- Helping develop the new National Response Plan, which aims to ensure a coordinated response to any national emergency.

GSA improved the efficiency and effectiveness of the Federal acquisition process by:

- Developing the "Get It Right" Plan that is assuring the proper use of contracting vehicles, full and open competition, efficiency, integrity, and best value for the government. The plan also calls for the acceleration of the development of the Federal acquisition workforce.
- Establishing the Office of the Chief Acquisition Officer (OCAO) to help the acquisition community launch the "Get It Right" Plan.

GSA is supporting the creation of jobs and economic growth by:

- Procuring more than \$10 billion in goods and services from the private sector for Federal agencies through the third quarter of FY 2004. Of that amount, 41.76 percent \$4.2 billion went to small businesses, with \$804 million going to firms classified as "small, disadvantaged businesses"; in addition, \$417 million in contracting went to small, women-owned businesses.
- Strengthening its programs to provide contracting opportunities to veteran owned businesses, servicedisabled veteran owned businesses, and Native American owned businesses.

GSA vastly improved public access to government information by developing:

- USA Services, one of 24 Presidential Electronic Government (eGov) initiatives, which provides quick access to the information and services citizens want most. USA Services is comprised of the FirstGov.gov Web portal, the National Contact Center (1-800-FED-INFO), and the distribution center in Pueblo, CO. USA Services will have 230 million public contacts in FY 2004.
- FirstGov en Español, which makes Federal information more accessible to the U.S. Spanish-speaking population.
- E-Authentication, which is setting the standard for the identity proofing of individuals and businesses.

GSA has improved operational performance through aggressive application of the President's Management Agenda (PMA):

- STRATEGIC MANAGEMENT OF HUMAN CAPITAL: The
  development of GSA's human capital plan ensures
  opportunities for continued learning, promotes
  professional advancement, identifies skills gaps, and
  provides for the continuity of quality leadership.
- **COMPETITIVE SOURCING**: GSA reduced spending by more than \$2 million by applying competitive sourcing to commercial operations.
- LINKING BUDGET TO PERFORMANCE: GSA created a PMP that emphasizes budgeting based on performance, not arbitrary percentages.
- IMPROVED FINANCIAL PERFORMANCE: GSA has strengthened financial management enabling managers to make sound business decisions using accurate data.
- EXPANDED ELECTRONIC GOVERNMENT: GSA launched USA Services, easing citizen access to timely information and services via the Internet, telephone, e-mail, or publications, and launched FirstGov en Español, thereby widening access to these products and services.

FEDERAL REAL PROPERTY ASSET MANAGEMENT: GSA
 assisted with the development of Executive Order (EO)
 13327 Federal Real Property Management, dated
 February 4, 2004, to promote efficient and economic
 use of Federal real property resources management, thus
 providing maximum benefits to the government and
 taxpayers.

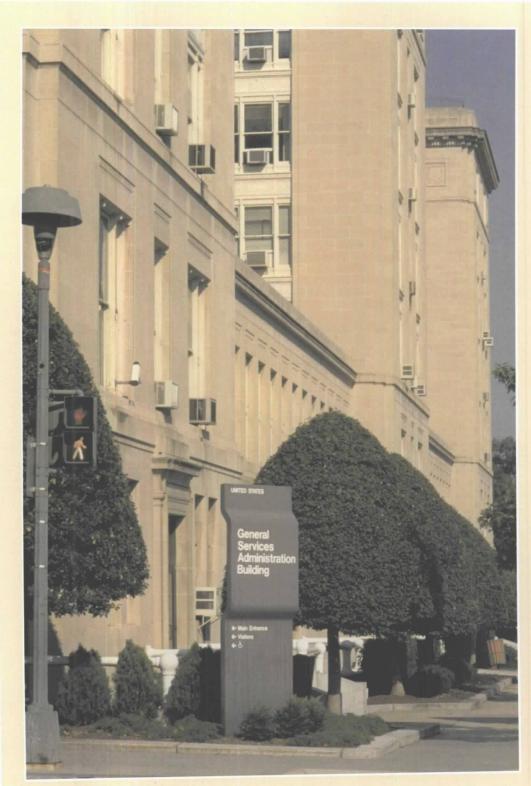
As required by the Reports Consolidation Act of 2000, I have assessed the financial and performance data used in this report, and believe it to be complete and reliable.

We are pleased that for the 17th consecutive year, independent auditors have given our financial statements a clean opinion. I certify that GSA's management control systems, taken as a whole, provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA), Section 2 and Section 4 and the Federal Financial Management Improvement Act (FFMIA), are being achieved. This matter and other pertinent issues are discussed further in the Management Controls, Systems, and Compliance with Laws section of this report.

GSA has not only met its challenges, but has continued to "create a successful future," and has done so with a high regard for the law, loyalty to the Constitution, and respect for people worldwide. As an agency, we have accomplished a great deal and I offer my thanks and appreciation to all GSA associates whose time, efforts, and dedication are reflected in GSA's success.

Stephen A. Perry Administrator

November 15, 2004



Today the GSA building houses more than 3,000 associates, equipping them with the latest office and telecommunications technology.

# Management's Discussion and Analysis

#### GSA HISTORIC HIGHLIGHTS

1949

The U.S. General Services Administration (GSA) was established on July 1, 1949 when President Harry Truman signed the Federal Property and Administrative Services Act into law.

The Hoover Commission, chaired by President Herbert Hoover, studied ways to improve the administrative services of the Federal government. The commission concluded that it would be more effective and economical for the government to consolidate four small agencies into one to avoid "senseless duplication, excess cost, and confusion in handling supplies, and providing space." The Federal Property and Administrative Services Act became law and GSA was created from the consolidation of these small agencies.

GSA's original mission was to dispose of war surplus goods, manage and store government records, handle emergency preparedness, and stockpile strategic supplies for wartime.

GSA also regulated the sale of various office supplies to Federal agencies and managed some unusual operations, like hemp plantations in South America.

GSA has evolved through the years, gaining and losing functions as the role of the Federal government has changed and technology has improved.





The U.S. General Services Administration Building, was originally designed for the U.S. Department of Interior, and built in 1916. It was the first truly modern office building constructed by the U.S. government and served as a model for Federal office buildings through the early 1930s.

## MISSION, VALUES, AND GOALS

**GSA** has been carrying out its mission to acquire and provide goods, services, and facilities in support of the needs of Federal agencies for 54 years.

### **GSA MISSION STATEMENT**

GSA HELPS FEDERAL AGENCIES BETTER SERVE THE PUBLIC BY OFFERING, AT BEST VALUE, SUPERIOR WORKPLACES, EXPERT SOLUTIONS, ACQUISITION SERVICES, AND MANAGEMENT POLICIES.

The Agency's mission is strongly rooted in GSA's original authorizing legislation, the Property and Administrative Services Act of 1949. By consolidating the Federal government's real estate, supply, and other management support functions, agencies run more efficiently, thereby providing savings and other benefits to the taxpayers. GSA also works with all the Federal departments and agencies to establish management policies that will lead to greater success in the future. Today for the great majority of functions, agencies are able to determine for themselves whether GSA's centralized services are their best value, as agencies are not required to procure these "non-mandatory" supplies and services from GSA.

The mission of GSA comes to life since its associates are guided by GSA's values.

### **GSA VALUES**

ETHICS AND INTEGRITY IN EVERYTHING WE DO

RESPECT FOR FELLOW ASSOCIATES

RESULTS ORIENTATION

TEAMWORK

PROFESSIONALISM

Honoring these values is essential to meeting GSA's goals. The Agency's earlier discovery of certain irregularities at some of its IT Solutions Centers led to the development of performance improvement goals and corrective action plans. This has now been consolidated into the GSA-wide "Get It Right" Plan for Excellence in Federal Acquisition. The plan will assure proper use of contracting vehicles, full and open competition, efficiency, integrity, and best value for the government. It also calls for the acceleration of the development of the Federal acquisition workforce, and the establishment of the OCAO.

### STRATEGIC GOALS

PROVIDE BEST VALUE FOR CUSTOMER
AGENCIES AND TAXPAYERS

ACHIEVE RESPONSIBLE ASSET MANAGEMENT

OPERATE EFFICIENTLY AND EFFECTIVELY

Ensure financial accountability

Maintain a world-class workforce and a world-class workplace

CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY

GSA's path to a successful future is outlined by the six GSA-wide strategic goals. These goals were established to provide a broad framework from which to build a foundation for specific performance goals and to provide a context for the long-term outcomes for which GSA is striving. In the Performance Section of this report, GSA will report how well it is doing against each of these goals for every service and office.

The strategic goals also provide a bridge from GSA's internal management to the PMA (page 20). For example, under the eGov initiative GSA is harnessing the power of the Internet to provide information to citizens and its customers and to process transactions. The Internet is leading GSA into the 21st century. GSA manages FirstGov.gov, the award-winning official Web portal of the government. It pulls together more than 180 million Federal and state government pages. Here, the public can get easy-to-understand information and services from the government 24 hours a day, seven days a week.

The public can also use FirstGov.gov's Citizen Gateway to transact business with the government and to access information on topics such as Social Security, taxes, surplus government property, and more. Citizens can send GSA e-mail via "Contact Us" by clicking on Uncle Sam on the FirstGov.gov home page. GSA works closely with other Federal agencies and state governments to make information easily navigated by the public. This means additional traffic for agency Web sites. The journey continues toward global solutions.

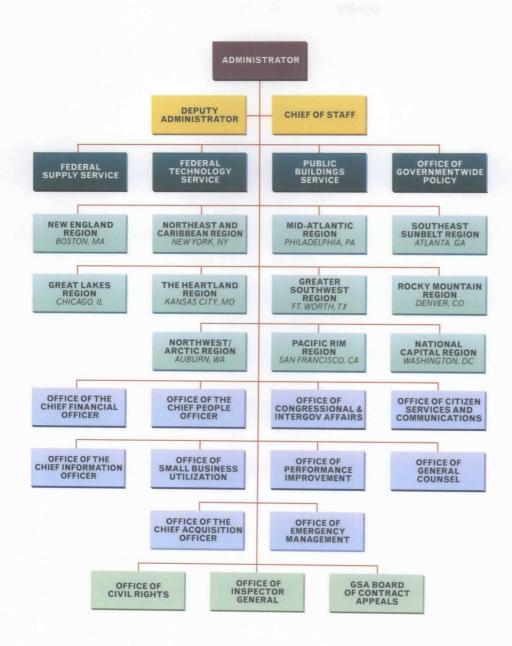
## **ORGANIZATION**

The basic foundation of any business or agency is its organizational structure. GSA provides goods and services and develops policy through a network of 11 regional offices and a central office in Washington, D.C. The Central Office consists of three services responsible for coordinating nationwide programs; two offices that support Federal agencies and citizen-oriented organizations, respectively; and 12 staff offices that support the GSA organization.

■ PUBLIC BUILDINGS SERVICE (PBS): PBS's mission is to provide a superior workplace for the Federal worker and superior value for the U.S. taxpayer. The challenge of managing the dynamic tension between these two objectives is at the heart of GSA's business processes. PBS is the largest public real estate organization in the nation and a provider of workspace and workplace solutions to more than 100 Federal agencies.

PBS conducts two fundamental activities. The first is space acquisition, either by lease or construction. It translates needs into discrete requirements, marshals the necessary resources, and sees that the space is delivered. The second fundamental activity is life-cycle management of space. This involves making decisions on maintenance, servicing tenants, and ultimately deciding when and how to dispose of a property at the end of its useful life.

diverse marketplace in which hundreds of thousands of Federal customers are brought together with more than 9,000 contractors. FSS has five business lines. *Commercial Acquisition* provides Federal customers access to more than four million services and products. *Travel and Transportation* provides a broad range of services from discount airfares to express delivery of packages to freight. *Vehicle Acquisition and Leasing Services* buys over 58,000 vehicles annually and manages a worldwide fleet of over 185,000 vehicles. *Personal Property Management* reassigns



or sells items such as furniture, computers, and equipment no longer needed by the government. *Global Supply* maintains an inventory of over 7,000 items that can be shipped in large quantities at short notice.

■ FEDERAL TECHNOLOGY SERVICE (FTS): The mission of FTS is to deliver cost-effective and innovative solutions in IT, network services, and professional services to support government agency missions worldwide. FTS works with

agency customers to understand their missions and requirements, and to help them choose, acquire, implement, and manage the funding for the best solutions to meet those needs. FTS-assisted services save taxpayer dollars, make it possible for customer agencies to avoid doing costly, time-consuming technology acquisitions, and enable them to devote more of their own staffs directly to their agency missions and programs. FTS works closely with every major civilian and Federal government agency offering assisted acquisition services on a fee-for-service basis.

■ OFFICE OF GOVERNMENTWIDE POLICY (OGP): OGP consolidates all of GSA's governmentwide policy-making activities within one central office. These include the \$8 billion a year spent on government travel, and the tens of billions of dollars spent each year on internal administrative management systems. OGP is working to re-engineer the traditional policy development model to emphasize collaborative development.

#### ■ OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS (OCSC):

OCSC is aimed at creating a more citizen-centric, results-oriented Federal government. OCSC has opened the way for citizens to interact with government by creating a single electronic front door to the services and information they require in the medium they prefer: the Web, e-mail, telephone, fax, or print. OCSC is aligned with the other GSA Staff Offices because of the in-house communication support it provides.

GSA's Central Office and its regions are supported by a number of Staff Offices:

- The OFFICE OF THE CHIEF PEOPLE OFFICER (OCPO) develops and delivers human capital programs, policies, and services that promote GSA's strategic management of human capital. OCPO activities enhance GSA's capability to achieve its mission, strategic goals, and performance outcomes.
- The OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO) provides high quality, enterprise IT services and solutions at best value by leveraging IT resources to support GSA business needs. Additionally, the OCIO is GSA's lead for the five eGov projects (E-Authentication, eTravel, Integrated Acquisition, Federal Asset Sales (FAS), and USA Services).
- The OFFICE OF THE CHIEF ACQUISITION OFFICER (OCAO) is responsible for managing a broad range of acquisition activities, including ensuring compliance with applicable laws, regulations, and policies; fostering full and open competition for contract awards; developing the acquisition workforce; and ensuring accountability for acquisition decision-making.



GSA associates' time, efforts, and dedication are reflected in GSA's success.

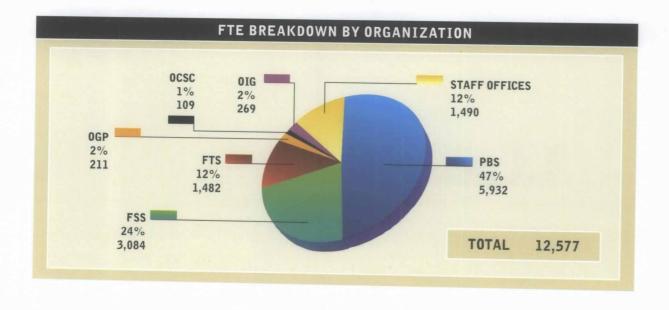
- The OFFICE OF THE GENERAL COUNSEL (OGC) provides sound and timely legal advice and representation to GSA clients to enhance their ability to help Federal agencies. OGC carries out all legal activities of GSA; ensures full and proper implementation of GSA's statutory responsibilities; and provides legal counsel to the Administrator, Deputy Administrator, and other officials of GSA (with the exception of certain legal activities of the Office of Inspector General (OIG) and the Board of Contract Appeals).
- The OFFICE OF PERFORMANCE IMPROVEMENT (OPI) provides advice to the Administrator and Deputy Administrator on major policies and procedures related to GSA performance. OPI is responsible for overseeing the development and execution of performance measurement programs and GSA's competitive sourcing.
- The OFFICE OF EMERGENCY MANAGEMENT (OEM) coordinates emergency management services throughout GSA. Emergency management includes all aspects of disaster and emergency program policy development and implementation, response operations, training, drills, exercises, continuity of operations, business continuity, recovery and resumption, and readiness assurance.
- The OFFICE OF SMALL BUSINESS UTILIZATION (OSBU) is GSA's advocate for small, minority, veteran, HUBZone, and women business owners. OSBU promotes the

increased access to GSA's nationwide procurement opportunities by nurturing entrepreneurial opportunities, outreach, and training.

- The OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS (OCIA) serves as advisor to the Administrator, and supervises and maintains agency liaison with all members of Congress and congressional committees. The OCIA prepares and coordinates GSA's annual legislative program; communicates GSA's legislative program to the Office of Management and Budget (OMB), Congress, and other interested parties; works closely with OMB in the coordination and clearance of all proposed legislation impacting GSA and its programs; and initiates, coordinates, and presents briefings to members of Congress and their staffs on GSA program initiatives.
- The OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO) conducts the performance process, including strategic planning, budgeting, and the performance management cycle within GSA; manages GSA's core accounting system; prepares financial statements and reports; develops policies; and performs financial operations.
- The OFFICE OF CIVIL RIGHTS (OCR) is responsible for implementing both the internal and external civil rights programs at GSA. The internal civil rights program ensures equal employment opportunity (EEO) for all GSA associates and applicants for employment on the

- basis of sex, race, color, national origin, religion, disability, age (40 and over), and retaliation for protected EEO activity. The external civil rights program ensures nondiscrimination on the basis of race, color, sex, age (40 and over), national origin, and disability by recipients of GSA's Federal Financial Assistance and Federally conducted programs.
- The BOARD OF CONTRACT APPEALS (BCA) serves as an independent and objective tribunal in hearing and deciding contract disputes between government contractors and GSA, and between contractors and other Executive agencies. The Board provides alternative dispute resolution services to all Federal agencies and contractors. The Board also hears and decides claims involving transportation rate determinations, Federal employee travel and relocation expense claims, and a small number of other types of claims.
- The OFFICE OF INSPECTOR GENERAL (OIG) promotes economy, efficiency, and effectiveness within GSA, and prevents and detects fraud in the Agency's programs and operations.

In FY 2004, GSA had 12,577 full-time equivalent employees (FTE). Staffing levels have been consistent since 1998, adjusting for FY 2003 transfer of the Federal Protective Service (FPS) and the Federal Computer Incident Response Center to the DHS.



## PERFORMANCE SUMMARY AND HIGHLIGHTS

uring FY 2004, GSA performed its mission by pursuing its six agency-wide strategic goals, listed on the title page, which reflect the breadth of the Agency's mission. The GSA FY 2004 Performance Plan outlines the specific performance goals undertaken to fulfill the strategic goals. Specific performance measures are established within each performance goal as a gauge for meeting these goals. The six strategic goals are inter-related and accordingly many of the performance goals apply to more than one strategic goal.

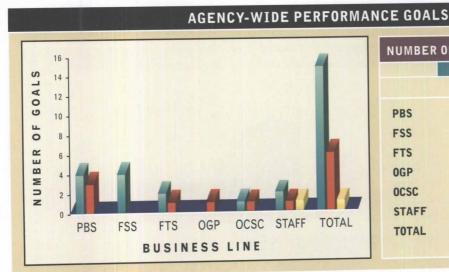
This section highlights the most significant GSA-wide FY 2004 performance goals identified by GSA management and related performance results. A chart of Key Performance Measures follows the discussion and detailed performance information is contained in the Performance Section.

The chart below of Key Performance Measures shows that, in general, GSA met or exceeded expectations for 62 percent of its FY 2004 performance goals. GSA is becoming more sophisticated in its use of the PMT system

to closely track results. In FY 2004, GSA enhanced its PMP to integrate budget and performance and focus on long-term outcomes. In FY 2005, GSA will fully incorporate performance measures into the performance evaluations of individual associates.

Additionally, the PMA's emphasis on results led to GSA's commitment to the Program Assessment Rating Tool (PART), which was used to critically evaluate the performance of GSA programs. By the end of FY 2004, approximately 84 percent of GSA's program dollars had been rated. The PART process has helped GSA define long-term outcome goals that focus on how GSA meets customer agency needs quickly and has reinforced its efforts to link budget to performance, to set ambitious goals, and to improve its efficiency measures.

GSA continues to work with OMB toward linking Agency costs and performance goals as discussed in the PMA Budget and Performance Integration section. Additional information on key performance goals with past results can be found in the Performance Section beginning on page 39 and all performance goals can be found in Appendix II, The Summary Chart of Goals and Measures beginning on page 149.





## FY 2004 KEY PERFORMANCE MEASURES WITHIN STRATEGIC GOAL

STRATEGIC GOAL/ SERVICE OR OFFICE	MEASURES	FY 2004 TARGET	FY 2004 ACTUAL
ROVIDE BEST VALUE FOR CL	ISTOMER AGENCIES AND TAXPAYERS	12.0	
Public Buildings Service	Percent highly satisfied tenants in leased space	68%	70%
Public Buildings Service	Cost of leased space relative to the market	8.0%	10.6%
Federal Supply Service	Percentage discount to customers from invoice price (vehicle acquisition)	≥20%	33.1%
Federal Technology Service	FTS Telecommunications pricing as compared to best commercial prices	\$514 mil	\$705 mi
Office of Governmentwide Policy	Number of agency applications meeting eAuthentication credentialing policy standards (out of a universe of 24)	4	2*
Office of Citizen Services and Communications	Tax dollars saved as a result of agencies sharing FirstGov technologies	\$30.6 mil	\$19.8 mi
Office of Citizen Services and Communications	Total number of multi-channel contacts with the public (citizens, business, government) per year	224.9 mil	241.9 mi
HIEVE RESPONSIBLE ASSE	T MANAGEMENT	No. of Concession, Name of Street, or other	THE R
Public Buildings Service Maintain vacant space in the existing inventory of space leased by PBS		1.5%	1.2%
Public Buildings Service	Percent of construction projects completed on schedule	84%	80%*
Public Buildings Service	Percent of R&A Projects on schedule	86%	78%*
ERATE EFFICIENTLY AND E	FECTIVELY		- Water
Public Buildings Service Cleaning, maintenance, and utility costs in office and similarly serviced space – percent below private sector benchmarks.		13.4%	14.5%
Federal Supply Service	Cycle time to process offers (days)	105	87
dederal Supply Service Percent of mark-up for stocked items		45.0%	42.8%
Federal Supply Service Percentage GSA leasing rates below commercial rates on the GSA Vehicle Leasing Schedule		≥20%	31.67%
Federal Technology Service	Percent of negotiated award dates for service and commodities that are met or bettered (improved measures related to Regional IT Solutions are under development)	>93%	88%*

<sup>\*</sup> Indicates goal not met.

Continued on following page

STRATEGIC GOAL/ SERVICE OR OFFICE	MEASURES	FY 2004 TARGET	FY 2004 ACTUAL
NSURE FINANCIAL ACCOUNT	ABILITY		
Office of Chief Financial Officer	Percent of vendor invoices received electronically	50%	56%
Office of Chief Financial Officer	Percent of vendor payments paid electronically	85%	92%
IAINTAIN A WORLD-CLASS W	ORKFORCE AND WORLD-CLASS WORKPLACE		
Office of the Chief People Officer	Percentile rank in the Gallup Q12 survey which measures the engagement of the workforce	75th percentile	69th percentile*
ARRY OUT SOCIAL, ENVIROR	NMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL AGE	NCY	P. Prince
Public Buildings Service  Percent reduction on energy consumption from FY 1985 baseline		22.6%	22.4%*
Federal Technology Service  Percent of task and delivery orders subject to the fair opportunity process		>85%	96%
Office of Small Business Utilization  Percentage of contracting opportunities provided to small business		43%	TBD

<sup>\*</sup> Indicates goal not met.



Through the Agency's internal PMP, GSA has made great strides in identifying long-term outcome goals and efficiency measures for its programs.

## PERFORMANCE VALIDATION AND VERIFICATION

The Government Performance and Results Act of 1993 (GPRA) and the Reports Consolidation Act of 2000 require that each agency certify the completeness and reliability of performance data and describe the means used to verify and validate this data. Over the last several years, to comply with these regulations and a finding of its OIG, GSA has conducted reviews to verify and ensure the validity of performance measurement data. Recently, the Agency completed the first of a series of reviews for all organizational components. To ensure the viability of this process GSA will also be using a contractor to review the work accomplished to date and to make recommendations to improve and institutionalize the process.

GSA uses a broad range of performance goals and measures. The data and the means to verify and validate the measures are also diverse. A general discussion of the verification and validation of each of those sources follows.

## CONTROLS AND PROCEDURES

GSA's performance measurement data can be divided into five types. The controls and procedures used to validate and verify each type are outlined below.

- 1 FINANCIAL DATA: As stated above, GSA has a high degree of confidence in its financial data. Normal audit and other financial controls maintain the integrity of these data elements. During the FY 2004 financial statement audit, various tests and reviews of the core accounting system and internal controls were conducted as required by the Chief Financial Officers Act.
- 2 DATA FROM LARGE COMPUTER SYSTEMS: GSA has undertaken an extensive process of systems certification to ensure that its computer systems operate as intended. GSA increased the percent of IT systems certified and accredited from 22 percent in FY 2003 to 89 percent in FY 2004. Data quality is also maintained through ongoing training.



Valid reliable data is important to support management decisions on a day-to-day basis.

- 3 DATA FROM MANUAL OR SMALL FEEDER COMPUTER SYSTEMS: For these systems GSA stresses confirmation so that more than one person is responsible for data and written policy and procedures.
- 4 BENCHMARK DATA FROM EXTERNAL SOURCES: Where there is a close correspondence between a GSA activity and a private sector counterpart, GSA utilizes external data as a benchmark. When GSA does this it strives to find highly reputable sources of data that are recognized as industry standards, including the Gallup Organization, Building Owners and Managers Association (BOMA), Society of Industrial and Office Realtors (SIOR), and the Logistics Management Institute.
- with outside polling firms, such as the Gallup Organization, to develop customer satisfaction or other survey data. Use of an outside contractor can make customers more eager to participate and add credibility to the results. In using such data, GSA always deals with reputable firms that are leaders in the industry. GSA's contract provisions require that sound business practices be followed and GSA follows up to make sure it can have confidence in the results. All of these firms have their own validation and verification procedures.

## THE PRESIDENT'S MANAGEMENT AGENDA

GSA'S STATUS AND PROGRESS				
INITIATIVE	CURRENT STATUS	PROGRESS		
Human Capital	•	•		
Competitive Sourcing				
FINANCIAL PERFORMANCE		•		
ELECTRONIC GOVERNMENT				
BUDGET AND PERFORMANCE INTEGRATION				
Real Property				

**THE PMA** has helped GSA focus on achieving results based upon clear goals and challenging expectations. GSA is pleased with its progress in each of the initiatives under the PMA. The following pages provide a brief description of each initiative, provide the current status of the management program, and describe GSA's progress to "get to green" as GSA implements the PMA with the ultimate goal of improving government performance and providing better service to citizens.

## WHAT PROGRESS INDICATES

OMB assesses agency "progress" on a case by case basis against the deliverables and time lines established for the five initiatives that are agreed upon with each agency as follows:



Implementation is proceeding according to plans agreed upon with the agencies;



Some slippage or other issues requiring adjustment by the agency in order to achieve the initiative objectives on a timely basis; and



Initiative in serious jeopardy. Unlikely to realize objectives absent significant management intervention.

#### PMA



## Strategic Management of Human Capital



## STATUS

## Competitive Sourcing



Progress

**BACKGROUND:** The Human Capital Initiative requires Federal agencies to develop both a vision and a roadmap for strategically managing their workforces so they can better accomplish their missions on behalf of the American people. Agencies are required to build, sustain, and effectively deploy a skilled, knowledgeable, diverse workforce to meet the current and emerging needs of the Federal government.

**STATUS:** GSA improved its status to "yellow" in the first quarter of FY 2004 and continues with initiatives and strategies to achieve "green" status in FY 2005. The Agency completed organizational specific human capital strategies for three of its major organizations, the FSS, the FTS, and OCPO. The Agency will complete human capital strategies for OCIO, OGC, OGP, and OCSC in early FY 2005. These strategies link the business plans to the Agency's overall Human Capital Strategic Plan and the GSA Strategic Plan. GSA issued the APPAS to link individual performance to organizational goals.

**PROGRESS:** GSA continues to be "green" in progress for Strategic Management of Human Capital. Among the many accomplishments in FY 2004, GSA issued guidance on the Human Resources Management and Accountability System, re-engineered business processes in the PBS, developed a plan to address diversity in leadership positions, continued to implement strategies to close the skills gaps, and evaluated succession plan strategies.

**BACKGROUND:** The goal of Competitive Sourcing, one of the PMA's initiatives, is to improve agency performance by using the A-76 process to conduct public/private competitions of an agency's commercial activities or functions. GSA has established an infrastructure to accomplish this goal.

**STATUS**: Since the establishment of the competitive sourcing goals by the President in FY 2001, GSA has moved from "yellow" to "green" on the President's quarterly Executive scorecard for "current status." This score was achieved during the fourth quarter of FY 2004. Additionally, GSA has completed 32 Streamlined Competitions and one Standard Competition under the revised circular, and has completed one Standard competition under the old circular. In June 2004, GSA issued the GSA Competitive Sourcing Program Management Guide to provide guidance to those managing and conducting competitions throughout GSA's many Services, Staff offices, and Regional offices. GSA has a number of studies underway for FY 2005, including two Agency-wide reviews. Finally, GSA submitted its FY 2004 Federal Activities Inventory Reform (FAIR) Act inventory to OMB, with justifications, on June 18, 2004, and is also currently working with OMB to develop a long-term competitive sourcing "green" plan that covers potential studies through FY 2008.

progress: GSA completed 20 competitions (one Standard and 19 Streamlined) covering a total of 134 FTE in the fourth quarter of FY 2004. OPI continues to provide training on competitive sourcing to associates in each of GSA's 11 regions, as well as Central Office personnel. OPI also coordinated and chaired the last two Governmentwide Conferences on Competitive Sourcing, co-sponsored by the Office of Federal Procurement Policy (OFPP) and the Federal Acquisition Council (FAC). As a regular course of business, OPI maintains a quarterly report on all of GSA's Competitive Sourcing competitions with detailed information on costing data, key milestone dates for study completion, and contact information.



## Improved Financial Performance



## Status

## Expanded Electronic Government



**BACKGROUND:** This initiative is intended to improve the quality of the Federal government's financial information so agencies can improve the integrity and efficiency of their operations. The goal is to improve financial performance by ensuring that Federal financial systems, in particular, produce accurate and timely information. This data is critical to Federal business line managers who rely on it in their daily decision-making. Short-term objectives of the initiative include reducing erroneous payments, and sustaining or achieving successful financial audits.

**STATUS:** The status is "red" due to non-compliance with FFMIA and the GSA FMFIA non-conformance issues raised in FY 2003 and discussed in last year's Performance and Accountability Report (PAR). As of September 30, 2004, the auditors had not issued their opinion for FY 2004, thereby missing the grading window to improve GSA's score. A corrective action plan was developed in FY 2004 and implemented to address the prior year weaknesses. In addition, Administrator Perry states with reasonable assurance that the objectives of FMFIA and FFMIA are being achieved in FY 2004. GSA expects to be recognized as compliant after completion of the FY 2004 audit, resulting in an elevated status under this initiative in the first quarter of FY 2005.

**PROGRESS:** As of September 30, 2004, GSA continues to be "green" in progress. GSA has successfully met the criteria for improved financial performance and is proud of its accomplishments in the area of financial management. GSA received its 17th consecutive clean opinion, was a recipient of the prestigious Certificate of Excellence in Accountability Reporting (CEAR) in FY 2003, consistently produces a payment error rate well below government and industry standards, trained all managers on the proper use of internal controls resulting in an aggressive management control program in the Agency, and began developing a corrective action plan to improve the reporting of intragovernmental accounting transactions.

BACKGROUND: This initiative supports specific goals to reduce redundancy and increase the effectiveness of outreach to citizens. A key goal is for citizens to be able to access government services and information. designed to make better use of IT investments to eliminate billions of dollars of wasteful Federal spending, reduce government's paperwork burden on citizens and businesses, and improve government response time to citizens. GSA has improved service for businesses and internal efficiency of the Federal government through four GSA-led Electronic Government initiatives: E-Authentication, eTravel, FAS, and Integrated Acquisition. The USA Services Electronic Government initiative has improved citizen access to all agencies. These solutions are being applied to GSA and are supporting the entire Federal enterprise. GSA is also focused on its internal IT management to ensure the projects are well managed and that IT spending is not duplicative of the 24 Electronic Government initiatives.

STATUS: GSA improved its status rating to "yellow." This was due to GSA certifying and accrediting 97 percent of its systems, the Inspector General (IG) verifying the effectiveness of the Department-wide IT security remediation process, implementing an American National Standards Institute (ANSI) standard Earned Value Management System (EVMS), and demonstrating cost/schedule/performance adherence is within 30 percent. GSA continues to make progress toward improving its status rating to "green" by 1) modifying its existing contracts to be compliant with the EVMS Standard, 2) monitoring its major IT investments to ensure cost/schedule/performance adherence within 10 percent, 3) ensuring all systems are certified and accredited, 4) completing the Agency's "One GSA" Enterprise Architecture (EA), and 5) continued progress on the five GSA-led Electronic Government initiatives.

**PROGRESS:** GSA progress rating remains "green." GSA continues to deliver on the President's Management goals by delivering citizen-centered Electronic Government.

The progress scores are based on the submission of several program plans such as an E-Authentication Ramp Up Plan, an EVMS Plan of Action and Milestones plan, an IT Project Management Validation Strategy to implement OMB's IT Project Manager Qualification Guidance, and a Security Critical Infrastructure Protection plan. Additionally, GSA's forms.gov Web site was successfully launched and a data quality improvement plan was submitted to OMB for the Business Gateway. GSA has updated its current EA materials, including a future action plan.





## Budget and Performance Integration



**BACKGROUND:** This initiative is aimed at providing a greater focus on performance. It is enhancing the quality of information on program results so that the government can make better informed resource allocation decisions. The outcome will be better control over resources and accountability for results by program managers.

**STATUS:** GSA's score is "yellow" for status. The earliest that GSA can improve to "green" for status is the fourth quarter of FY 2005. At that time GSA should have less than 10 percent of its PART programs with "results not demonstrated" for more than two years in a row. In other words, over 90 percent of GSA programs evaluated with the PART tool will have demonstrated results for at least two years.

PROGRESS: The Agency is "green" in progress. Through the Agency's internal PMP, GSA has made great strides in identifying long-term outcome goals and efficiency measures for its programs. GSA continues to work with OMB on establishing goals and measures for the remaining programs. GSA is also developing marginal cost analysis techniques and continuing to implement Activity-based Cost Management. Finally, the Administrator continues to conduct quarterly reviews of each organization's financial and performance results. All these initiatives and measurement tools are great strides in integrating budget and performance.



## **Real Property**



**BACKGROUND:** On February 4, 2004, the President signed Executive Order (EO) 13227 addressing Federal Real Property Asset Management. Real property was added to the PMA in August 2004. The goal of the EO and this initiative is to promote the efficient and economical use of U.S. real property assets and to assure management accountability for implementing Federal real property management reforms.

STATUS: With the introduction of real property to the PMA two months ago, all agencies started with a "red" score for both status and progress. In September 2004, GSA moved to "vellow" on the President's quarterly Executive scorecard for "current status." This score was achieved at the end of the fourth quarter of FY 2004 by completing an agency asset management plan that was consistent with the Federal Real Property Council's standards or expected equivalent. The Council is in the process of developing standards and GSA has played a leadership role in drafting template components for the plan, as well as producing its plan for use as an example for other agencies. GSA's Real Property Asset Management Plan was presented and endorsed by OMB. GSA's real property inventory system and performance measures were deemed consistent with the Council's expected standards. GSA will address the remaining three elements of the "current status" on the scorecard in FY 2005. Clarification is being sought from OMB regarding evidence needed for these elements.

PROGRESS: GSA moved from "red" to "green" in progress for real property. Completion of the asset management plan in two months prior to published standards is the most significant achievement. Additionally, GSA reviewed and updated its asset management principles, owner's objectives, and performance measures and targets. GSA conducted a baseline review of asset management policy to identify gaps and the need for updates or additional policy guidance. GSA launched pilot projects for a computerized maintenance management system, and completed an analysis and issued a State of the Portfolio that reports GSA's FY 2003 real property performance and trend information. GSA is well positioned to meet the Council's standards once they are made available and will continue to play a leadership role in advancing real property asset management.

## GSA'S SUMMARY OF MANAGEMENT CHALLENGES IDENTIFIED BY THE INSPECTOR GENERAL

The Reports Consolidation Act of 2000 requires the IG of major Federal agencies to report on the most significant management challenges facing their respective agencies. The OIG's strategic planning process commits it to addressing these critical issues. The following table briefly describes the challenges identified for GSA. These align with related work products issued by the OIG and discussed in its Semiannual Report to the Congress. The complete text of challenges and actions being taken can be found in the Financial Section on page 132.

CHALLENGES	BRIEF DESCRIPTION
PROCUREMENT ACTIVITIES	Simplified processes have reduced order and delivery time, yet competitive principles are not always followed and opportunities may be missed for less costly services and products.
CONTRACT MANAGEMENT	GSA's multibillion-dollar acquisition programs have expanded rapidly in terms of series, variety, and complexity of the procurements performed. A growing list of warning signs throughout the acquisition process suggests that the technical and management skills needed by the procurement workforce to operate in this more sophisticated arena are not keeping pace with these new demands.
INFORMATION TECHNOLOGY	Technology applications have increased exponentially as eGov is used to better manage operations and interface with the public, but complex integration and security issues exist.
MANAGEMENT CONTROLS	Management controls have been streamlined, resulting in fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed.
AGING FEDERAL BUILDINGS	GSA is being challenged to provide quality space to Federal agencies using an aging, deteriorating inventory of buildings and facing critical budgetary limitations in its modernization program.
HUMAN CAPITAL	GSA's corporate knowledge is eroding and efforts to obtain requisite skills for the future are impeded. Better recruitment and training programs are needed to develop the 21st century workforce.
PROTECTION OF FEDERAL FACILITIES AND PERSONNEL	GSA is responsible for protecting the life and safety of employees and public visitors in Federal buildings. A broadly integrated security program is required.

The entire text of these challenges is located in the Financial Section.

## Management Controls, Systems, and Compliance with Laws

## FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) — Section 2

uring the fiscal year that ended September 30, 2004, GSA continued its efforts to ensure that the Agency has an efficient and effective system of financial programs and internal, management, and administrative controls. As it works to serve the American people, GSA continues to administer its programs as efficiently and economically as possible. To do this, GSA relies on its system of management controls to provide reasonable assurance that its financial obligations comply with applicable laws, its items of value are safeguarded, and its operations are properly accounted for.

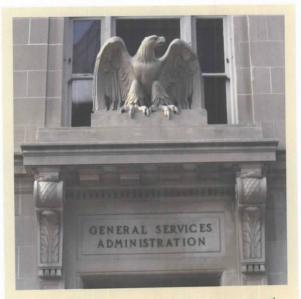
During FY 2004, under the chairmanship of the Deputy Administrator, the Management Control Oversight Council (MCOC) approved a new electronic assurance statement process to improve internal control reporting, ensure the working knowledge of the management control program throughout GSA, and meet accelerated timeline constraints. The new electronic GSA 2004 Assurance Statement Questionnaire and Checklist is based on OMB and Government Accountability Office (GAO) control standards. The GSA standardized questionnaire addressed what managers should be looking at concerning controls to ensure that managers throughout GSA reviewed, assessed, and reported on internal controls for their program areas. In anticipation of a revised OMB Circular, A-123, "Management's Responsibility for Internal Control," GSA is already contemplating how to implement the draft requirements as well as requiring an audit of its internal controls.

In FY 2004, no material weaknesses were identified as provided in the assurance statement in the Administrator's letter at the beginning of this report. During FY 2004, GSA management took a number of actions in response to the

FY 2003 discovery by the GSA IG of improper acquisition practices within some FTS Client Support Centers (CSC). FTS implemented legal and procurement management reviews, and developed an acquisition checklist. In addition, FTS issued financial guidance on revolving funds and project closeout procedures. The policy, guidance, and reviews are instrumental in maintaining the integrity of GSA's acquisition programs and the trust of its customers.

Although GSA was not designated as one of GAO's high risk areas, it has done significant work along with OMB in the Federal Real Property area, as noted in the Administrator's letter and in the Real Property initiative of the PMA.

The management team at GSA is continuing to work aggressively to correct the FTS condition. GSA management is confident that the FTS actions taken will ensure that GSA meets its responsibility of providing outstanding acquisition services, and thus the best value for the U.S. taxpayer.



An eagle located over the central entrance, was carved by Ernest S. Bairstow, a sculptor from Washington, DC, who also carved the speeches into the walls of the Lincoln Memorial.

### STATISTICAL SUMMARY OF PERFORMANCE

Section 2, Internal control Systems - Material Weaknesses

GSA reported no material weaknesses at the end of FY 2003 and none have been added during FY 2004.

	NUMBER AT NUM			
	BEGINNING OF YEAR	NUMBER CORRECTED	NUMBER ADDED	REMAINING END OF FISCAL YEAR
Prior Years	49	47	0	2
1998 REPORT	2	0	1	3
1999 REPORT	3	0	0	3
2000 REPORT	3	0	0	3
2001 REPORT	3	0	0	3
2002 REPORT	3	0	0	3
2003 REPORT	3	2	0	$0_1$
2004 REPORT	0	0	0	0

<sup>&</sup>lt;sup>1</sup>One Material Weakness was transferred to DHS and GSA no longer has reporting responsibility.

## FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) - SECTION 4

s required by law, GSA evaluates its financial management systems annually for compliance with Federal financial management system requirements, applicable Federal accounting standards, and U.S. Standard General Ledger (USSGL) recording and reporting requirements at the transactional level.

During FY 2004, a new process was developed and implemented to more fully assess the adequacy of financial management system controls. This process involved utilizing a detailed questionnaire to assess IT security and assurance controls. As in prior years, additional compliance review steps included a review of pertinent audit reports issued during FY 2004, a review of the current status of prior year system-related issues, and discussions with senior managers and auditors regarding the details of pertinent system-related control issues. Taken as a whole, GSA is confident that the various system-related review activities completed provide a sufficient basis for assessing Agency compliance with Section 4 FMFIA requirements for FY 2004.

Based on all review work performed during FY 2004, Agency management believes that GSA is in substantial compliance with the requirements referred to in Section 4 of FMFIA. This conclusion is supported by more than 180 actions completed during the past year to address the prior year system non-conformances relating to financial and monitoring controls; network and application security controls; and system development, implementation, and change controls.

For the future, further improvements will be made to improve the quality of budgetary accounting, strengthen system life-cycle management and system change controls, and enhance controls in several Service-level financial management systems. In addition, actions will be taken to more fully and effectively integrate and streamline compliance review activities pertaining to Section 2 and Section 4 of FMFIA, FFMIA, and the Federal Information Security Management Act of 2002 (FISMA).

STATUS OF SYSTEM NON-CONFORMANCES					
	NUMBER AT BEGINNING NUMBER OF YEAR CORRECTED		NUMBER ADDED	NUMBER REMAINING END OF FISCAL YEAR	
Prior Years	9	9	0	0	
1998 Report	0	2	2	0	
1999 REPORT	0	0	2	2	
2000 REPORT	2	0	0	2	
2001 REPORT	2	0	0	2	
2002 REPORT	2	0	0	2	
2003 REPORT	2	0	1	3	
2004 REPORT	3	3	0	0	

## PRIOR-YEAR ENTITY-WIDE SYSTEM NON-CONFORMANCES ADDRESSED

FY 2004 marked an important turning point for GSA in terms of its efforts to correct three entity-wide system non-conformances. GSA management believes that substantial progress was made to effectively address each area of non-conformance. As a result, for the first time in five years, GSA management is proud to report that no entity-wide system non-conformances are being reported for FY 2004.

With regard to the prior-year system non-conformance pertaining to reconciliation and monitoring controls, a detailed and comprehensive corrective action plan was prepared and implemented to address the reconciliation issues first reported last year. With the creation of better reconciliation tools, reconciliation procedures were performed more effectively. Accounting personnel were better instructed regarding how and when to perform needed reconciliations. Better monitoring and control practices were also instituted to ensure that timely and complete reconciliation activities were being performed in a systematic manner.

During the past year, substantial progress was also achieved in improving network and application security controls, and strengthening system development, implementation, and change controls across GSA. These two issues had been reported as system non-conformances for the past five years. To address these issues, GSA's MCOC placed special priority on developing and completing action plans to improve system controls and system life-cycle management controls, including system change control and configuration management. As a result of these efforts, GSA was able to complete over 180 action steps contained in more than 80 detailed action plans. These completed actions served to significantly enhance system controls, system life cycle management practices, system monitoring and review activities, and system-related documentation for many of GSA's critical programs and financial management systems. In addition, new system life-cycle management and IT security program guidance was issued for Agency-wide implementation. Also, improved configuration management procedures were implemented to more effectively control system changes and their impacts.

## ADDITIONAL IMPROVEMENTS PLANNED FOR FY 2005

To ensure that GSA remains properly focused on being proactive in improving the effectiveness of its financial accounting and system controls, several initiatives are planned for FY 2005. Major initiatives will involve taking action to improve budgetary accounting; strengthen system change and life-cycle management controls for certain FSS systems; enhance various system controls for a critical FTS system; and more fully integrate FMFIA, FFMIA, and FISMA compliance review.

During the past two years, several opportunities have been identified to improve the quality of financial system accounting for certain budgetary accounts. Improvement areas will focus on improving the classification and accounting of certain budgetary transactions within GSA's core accounting system and devising a better means of more effectively and efficiently reconciling system-generated information to final budgetary reports. Planned FY 2005 improvements should lead to significant process improvements; cost savings; and more reliable, timely, and accurate budgetary accounting for the future.

During the past year, GSA has addressed both of its long-standing system non-conformances pertaining to network and application security controls and system development life cycle and system change controls on an entity-wide basis. However, additional improvements are planned to strengthen existing system controls for three financial systems being operated within the FSS and the FTS. Areas targeted for improvement for these systems include access controls, interface controls, system change controls, improved separation of duties, and better system control-related documentation.

Planned FY 2005 improvements should significantly enhance system controls for these legacy systems and further improve GSA's overall compliance with pertinent laws and regulations.

Finally, action is planned during FY 2005 to more effectively integrate and more efficiently streamline compliance review and assessment activities pertaining to FMFIA, FFMIA, and FISMA compliance. Currently, these activities are performed independently each year and involve considerable efforts on the part of the MCOC. By more effectively coordinating and consolidating these review activities for the future, more comprehensive and meaningful reviews and assessments will be able to be completed in a timelier manner at less cost. Accordingly, during FY 2005 GSA plans to focus on this area of possible improvement.

Taken together, these planned initiatives should help ensure that GSA remains focused on improving its system controls on a continuous basis. Once completed, these actions will help GSA achieve one of its key mission goals and provide a solid foundation on which to build GSA's enterprise system architecture and related control environment.

## FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

The FFMIA of 1996 requires Federal agencies to implement and maintain financial management systems that comply substantially with 1) Federal financial management system requirements, 2) applicable Federal accounting standards, and 3) the USSGL at the transaction level. Under the law, Agency heads are required to assess and report on whether these systems comply with FFMIA on an annual basis.

In assessing compliance with FFMIA, GSA adheres to the revised FFMIA implementation guidance provided by OMB and considers the results of OIG and the GAO audit reports, annual financial statement audits, FISMA-related and other questionnaire results, FISMA compliance reviews, and other system-related activities.

Based on all information assessed, the GSA Administrator has determined that GSA's financial management systems are in substantial compliance with FFMIA for FY 2004.

### FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

GSA's current financial management systems framework consists of a Commercial-Off-The-Shelf (COTS), Joint Financial Management Improvement Act (JFMIP)-compliant and certified core financial system; Pegasys; and several other important financial systems applications (payroll, NEAR, etc.) that provide for financial transaction processing and financial analysis for its three main business lines (FSS, PBS, and FTS) and General Management and Administration (GM&A) offices. GSA utilizes a shared-service operation to cross-service multiple external client agencies. It is possible, however, that other instances of contracting improprieties will be revealed by these efforts.

Plans to complete an integrated financial management systems infrastructure are underway and are based upon the "One GSA" EA. This "One GSA" EA will provide the foundation for more effective and efficient delivery of services by the GSA in the future. The target architecture will result in reduced complexity in the systems environment and is intended to meet the following objectives:

- Reduce costs by eliminating duplicate systems;
- Reduce the costs of maintaining legacy systems;
- Ensure continual alignment of technology investments to business processes;
- Improve GSA's service performance levels;
- Promote the sharing of common services across the GSA; and
- Provide a commonly understood point of departure for future strategic analyses.

GSA has adopted a value-chain analysis project to identify its "to-be" EA using a model-driven architecture approach that marries business processes with every layer of an EA, taking into account competitive alternatives in the market place. The value-chain work done to date confirms that GSA's financial management services are an integral, inseparable part of GSA's core mission of acquisition services.

As such, plans to achieve GSA's targeted financial systems infrastructure are being developed using integrated project teams with cross-GSA representation.

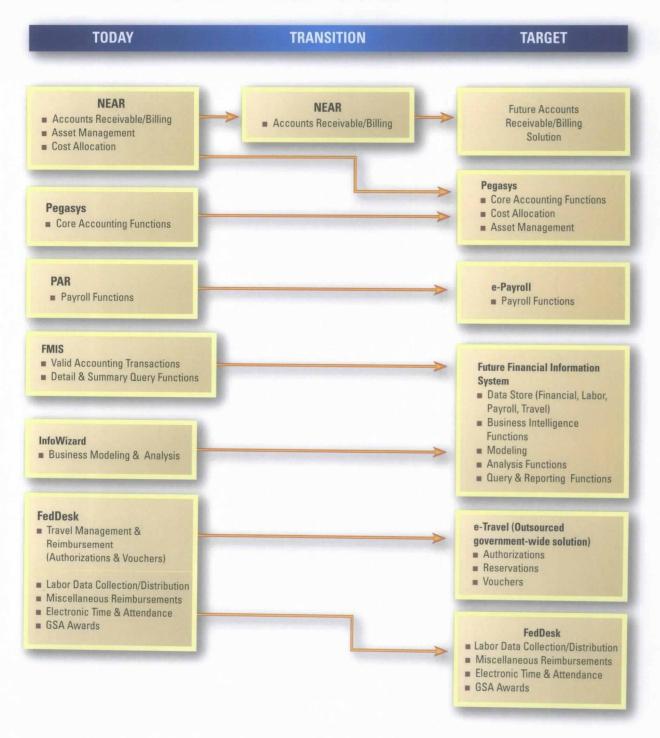
To transition to this new EA, during FY 2005 a series of actions are planned, including:

- Migrating cost allocation functionality from the NEAR system to Pegasys;
- 2) Developing requirements for a comprehensive asset management solution;
- Significantly enhancing data warehousing functionality to provide more extensive data access and reporting capabilities;
- 4) Partnering with the private sector to provide an innovative, cost-effective, e-enabled comprehensive accounts receivable and billing solution that will meet GSA's unique high-volume, highly complex revolving fund transaction needs; and
- 5) Providing enhanced capabilities to streamline intragovernmental and vendor transaction processing.

### ANTI-DEFICIENCY ACT

In FY 2004, a review by GSA's OGC determined that two instances of the improper use of the IT Fund for non-IT purposes in FY 2003 led to two violations of the Antideficiency Act. Since that time, GSA officials have taken aggressive action in order to prevent recurrence of the violations. As part of the Agency's aggressive actions undertaken, the GSA Administrator and the FTS Commissioner requested GSA's IG initiate audits of other FTS CSCs in the remaining GSA Regions throughout the nation. These reviews are currently underway, and depending on the results and findings, will assist us in further enhancing and improving acquisition quality and integrity across the organization. It is possible, however, that other instances of contracting improprieties will be revealed by these efforts.

#### FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK



In March of 2004 a technical violation occurred. GSA's Working Capital Fund (WCF) is used in administering the various centralized administrative support services and is funded by reimbursements from the benefiting GSA organizations under formal agreements. Early this year a mistake occurred in the timely transfer of cash from the benefiting organizations that had obligated the funds in their respective accounts as a forerunner to the cash transfers. As a consequence, the WCF experienced a temporary cash shortfall as of March 31, 2004. Procedures have been implemented to prevent this from occurring again.

## IMPROPER PAYMENTS INFORMATION ACT (IPIA)

GSA successfully implemented Public Law 107-300, the IPIA, during FY 2004. The GSA Office of Finance retained the services of a contractor to conduct a management review for IPIA. GSA's review focused on performing an erroneous payment risk analysis of each GSA business line/program to determine and estimate the amount of

potential improper and erroneous payments. The scope of work included developing a statistically valid sampling plan to create a population of payments to be analyzed from each business line/program, performing the risk analysis of the sampled accounting transactions along with supporting documentation, and reporting the findings and recommendations for improvements. The contractor was also responsible for estimating the annual amount of erroneous payments in the business lines/programs that are highly susceptible to erroneous payments, developing recommendations to reduce erroneous payments, recommending acceptable goals and ways to measure such goals, and a reporting mechanism to ensure progress toward the stated goals. All GSA programs were statistically sampled for improper and erroneous payments.

The risk assessment included such factors as prior audit reports, internal control reviews, complexity of payment calculations, complexity of laws and regulations, and other risk factors. GSA does not have any programs previously identified in former Section 57 of OMB Circular A-11, and



Some of the most important policies the OCFO develops include those for cash and credit management.

there are no statutory or regulatory barriers to limit any corrective actions that the Agency may develop to reduce improper payments.

The report concluded that no GSA program was highly susceptible to erroneous payments<sup>1</sup> according to the threshold amounts established by OMB. However, several recommendations were made to strengthen internal controls to prevent erroneous payments related to duplicate payments and missed discounts in some programs. GSA has implemented the recommendations and strengthened internal controls designed to reduce the occurrences of these types of erroneous payments.

GSA has demonstrated a strong commitment to improving financial management and was at the forefront in the Federal government for operation of a recovery audit program. In 2001, prior to the National Defense Authorization Act of 2002 (Public Law 107-107), GSA entered into a contract for recovery audit services. The Act requires that agencies that enter into contracts with a total value in excess of \$500 million in a fiscal year carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

Payments are only made to the recovery auditor upon identification and successful collection of erroneous payments. While GSA's payment error rate remains low at .08 percent, GSA has benefited substantially from the recovery audit contract. Details regarding recovery audit activity for

FY 2003 are presented in Appendix IV. GSA has also benefited from the valuable recommendations made by the recovery audit contractor to strengthen internal controls to prevent and detect erroneous payments.

The GSA Administrator has delegated the authority for implementation of Public Law 107-300 to the Agency's CFO. The CFO has further delegated to Agency program officials the responsibility for reporting any program deemed highly susceptible to erroneous payments, developing a corrective action plan, estimating the annual amount of erroneous payments in programs and activities, and establishing goals to reduce them in accordance with the guidance provided by OMB. Refer to Appendix IV for IPIA Reporting Details.

#### AGENCY PLANS FOR FY 2005 - FY 2007

GSA is committed to the PMA to improve financial management in the Federal government. During FYs 2005-2007, GSA will conduct the annual risk assessment as required by IPIA and continue to expand recovery audit services to other program activities. If any GSA program is found highly susceptible to erroneous payments, the responsible program official will develop a corrective action plan in accordance with Public Law 107-300.

<sup>&</sup>lt;sup>1</sup> Erroneous or improper payments are any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, and administrative or other legally applicable requirement. These involve overpayments, underpayments, payments to ineligible recipients, payments for ineligible service, duplicate payments, payments for services not received, and payments made without accounting for applicable discounts or credits.

## FINANCIAL SUMMARY

## THE ROAD TO ACCOUNTABILITY - FINANCIAL HIGHLIGHTS

For the 17th straight year, GSA's financial statements received a clean audit opinion. The independent accounting firm of PricewaterhouseCoopers LLP (PwC) issued the FY 2004 audit report. GSA's preparation of these statements is part of its goal in ensuring accountability over the resources that are entrusted to it as well as to provide accurate and reliable information. Agency management is accountable for the integrity of the financial information presented in the financial statements.

The financial statements and financial data presented in this report have been prepared from GSA's accounting records in conformity with generally accepted accounting principles (GAAP) in the United States. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

#### OVERVIEW OF FINANCIAL POSITION

**ASSETS:** Total assets were \$26,762 million at the end of FY 2004. This represents an increase of \$1 billion (3.68 percent) over the previous year's total assets of \$25,778 million. This increase is largely attributable to continued growth in GSA's primary business operations, which is

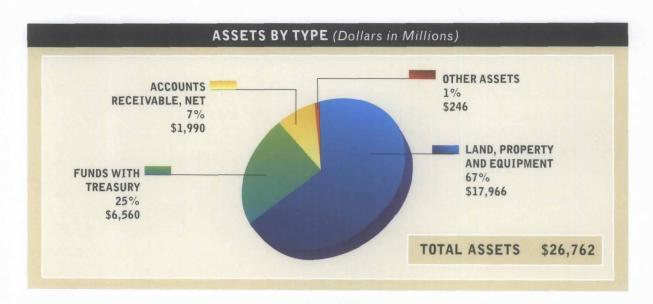
reflected in capital asset purchases and alterations and increases in earnings that provided cash (Funds with U.S. Treasury) from operations.

Taken together, Property and Equipment combined with Funds with U.S. Treasury comprise 91.6 percent of the total assets for FY 2004. The \$461 million increase in Funds with U.S. Treasury was primarily due to resources available to invest in construction of Federal buildings in the Federal Buildings Fund (FBF) and earnings generated from GSA revolving funds. The \$6,560 million of Funds with U.S. Treasury is generally available to GSA to liquidate outstanding commitments and to provide working capital to the revolving fund programs, and contains balances that will fund future needs. While the majority of these balances (\$5,570 million) are available for such future needs, \$2,232 million of the available balance is committed to funding of building construction and alteration projects provided for in legislation. Amounts totaling \$990 million were unavailable for spending as of September 30, 2004 and would require future authorization or even legislation to be used.

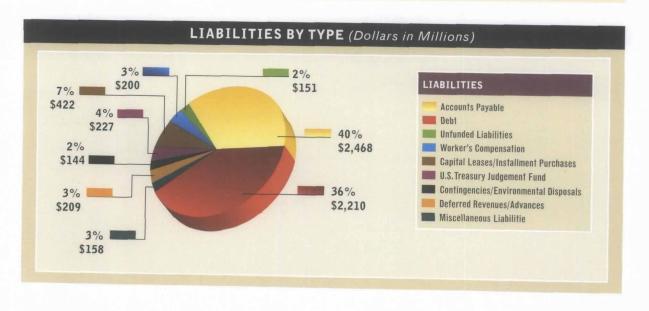
Property and Equipment increased by \$711 million (4 percent) from FY 2003. Property acquisitions of \$2.3 billion during the year, net of the recorded depreciation expense of \$1,367 million and \$278 million in property disposals, account for most of this increase. Property acquisitions in FY 2004 were primarily (\$1.6 billion) comprised of construction, modernization, and alterations to buildings.

GSA's assets reflected in the *Consolidating Balance Sheets* are summarized in the table below:

ASSETS (Dollars in Millions)	FY 2003	FY 2004
Land, Property and Equipment, Net Funds with U.S. Treasury Accounts Receivable, Net Other Assets	\$ 17,255 6,099 2,163 261	\$ 17,966 6,560 1,990 246
Total Assets	\$ 25,778	\$ 26,762



LIABILITIES (Dollars in Millions)		FY 2003		Y 2004
Accounts Payable	\$	2,549	\$	2,468
Dевт — — — — — — — — — — — — — — — — — — —		2,231		2,210
Unfunded/Other Liabilities		159		151
Workers' Compensation		205		200
Capital Leases/Installment Purchases		369		422
U.S. Treasury Judgement Fund		206		227
Contingencies/Environmental Disposals		165		144
Deferred Revenues/Advances		271		209
Miscellaneous Liabilities		88		158
Total Liabilities	\$	6,243	\$	6,189



**LIABILITIES:** In FY 2004, total Agency liabilities decreased by \$54 million (.87 percent) to \$6,189 million from \$6,243 million in FY 2003. Liabilities reported on the Consolidating Balance Sheet are summarized in the preceding table.

GSA's largest liability balances are accounts payable, making up 39.9 percent of the total. These balances decreased \$81 million (3.2 percent) in FY 2004.

The \$2,210 million of debt is 35.71 percent of total liabilities, of which \$68 million is unfunded. Periodically, in lieu of direct appropriations, GSA receives authority in its FBF to finance construction of buildings. Borrowings have been obtained from the U.S. Treasury's Federal Financing Bank, with the expenditure of the funds amortized over a 30-year period. GSA has almost depleted its authority to borrow and is currently retiring more debt than it is taking on. In FY 2004 debt decreased by \$21 million, mostly due to such debt retirements, which are covered by operating earnings in the FBF.

Liabilities totaling \$818 million, or 13.31 percent of total liabilities, were unfunded, i.e., budgetary resources are not yet available. For most unfunded liabilities, budgetary resources will be made available in the years balances are due, in accordance with OMB funding guidelines. The major elements of unfunded liabilities are \$200 million for Workers' Compensation, \$422 million for capital leases and installment purchases, \$227 million for reimbursements due the U.S. Treasury Judgment Fund for costs from past litigation, and \$144 million for contingencies and environmental/ disposal liabilities.

**ENDING NET POSITION:** GSA's Net Position at the end of FY 2004 on the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position was \$20,573 million, a \$1,038 million (5.01 percent) increase from the prior fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations at the end of 2004.

The increase in Cumulative Results of Operations resulted primarily from strong earnings in GSA's revolving funds, particularly the FBF (earnings of \$1,109 million) and General Supply Fund (GSF) (earnings of \$114 million), which mostly funds capital needs of those programs.

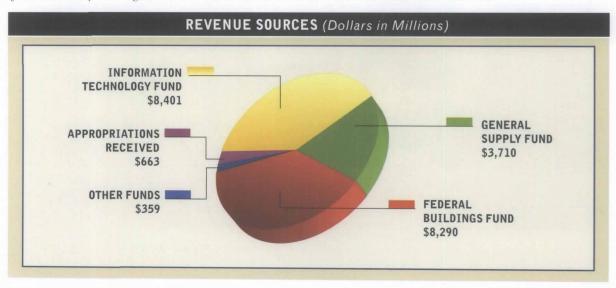
#### RESULTS OF OPERATIONS

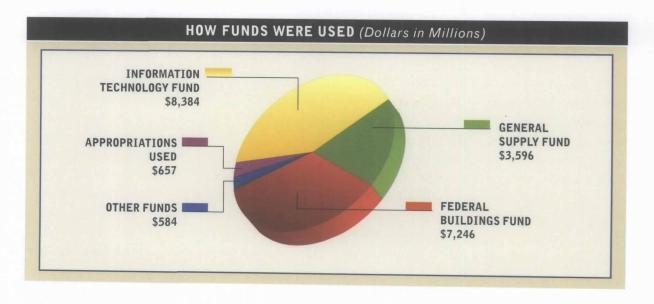
The results of operations are reported in the Consolidating Statement of Net Cost, the Consolidating Statement of Changes in Net Position, and in the Supplemental Consolidating Statement of Operations.

The Consolidating Statement of Net Cost presents the cost less any earned revenue from operating the Agency's three largest fund entities that support its three major business divisions, the GSA Working Capital Fund, and other operating funds in reporting the Agency's Net Cost.

GSA's total Net Revenue from Operations for 2004, after intra-agency eliminations, was \$977 million. This is a substantial change from FY 2003, when costs exceeded revenues by \$53 million. The primary reason for this swing was the FY 2003 implementation of the Help America Vote Act (HAVA), which provided investments of \$665 million in U.S. state and local government voting infrastructures, for which there was no additional funding or cost in FY 2004. Payments made in accordance with the HAVA were expensed when made. For FY 2003, absent the effects of the appropriated HAVA transactions, GSA's revenues exceeded costs of operations by \$612 million. The largest impact fueling net revenue growth is seen in the FBF, which reported increased net results of \$376 million, resulting from increased efficiencies in managing the real property portfolio, as well as effects of transferring portions of its operations to the DHS which were formerly a drain on net earnings of that fund.

The following charts summarize the activity on GSA's *Consolidating Statement of Net Cost* and the *Consolidating Statement of Net Position* by showing the funds available to GSA in FY 2004 and how these funds were used.







GSA associates are meeting the accelerated reporting dates while maintaining GSA's reputation for integrity and reliability in its accounting information.

#### **BUDGETARY ISSUES**

In FY 2004, GSA made significant steps in integrating budget and performance, aligning resources with performance measures. In order for GSA to meet its longterm goals, resources are still needed to provide enhancements in two areas (1) real property capital investment and (2) electronic government (E-Gov). As for real property capital investment, continued support for Repairs and Alterations funding is essential to reducing the \$6 billion backlog of building repair and maintenance work and providing quality space for GSA's Federal customers and the visiting public. Funding for this program is available within the revenues of the Federal Buildings Fund, provided that Congress provides the budget authority necessary to address the concern. In terms of E-Gov, while much progress has been made, significant IT improvements still need to be implemented in order to realize savings through consolidation. Small amounts of seed money in the form of appropriated funding can yield significant cost avoidance across the Federal Government.

#### LIMITATION OF FINANCIAL STATEMENTS

Management prepares the accompanying financial statements to report the financial position and results of operations for the GSA, pursuant to the requirements of Chapter 31 of the United States Code section 3515(b). While these statements have been prepared from GSA's books and records, in accordance with the formats prescribed in OMB Bulletin 01-09, Form and Content of Agency Financial Statements, these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same books and records. These statements should be read with the understanding that they are for a component of the U.S. government, a sovereign entity. One implication of this is that unfunded liabilities reported in the statements cannot be liquidated without legislation that provides resources to the Agency.

# Performance Section

GSA HISTORIC HIGHLIGHTS

1959

Played a significant role in establishing the Federal Procurement Regulation System.

1954 Established the first Federal motor pool.

1960s

Instituted GSA's Federal Technology Service's inter-city telephone system.

1950

1960

1970

957

Used the term "telecommunications system" for the first time to describe telephone service.

1962

Created GSA's Public Building Services. An Ad Hoc Committee on Federal Office Space recommended to President Kennedy that a major public buildings program be undertaken to address obsolete office buildings in Washington, D.C. This resulted in the construction of many of the Federal office buildings that now line Independence Avenue in the nation's capital.

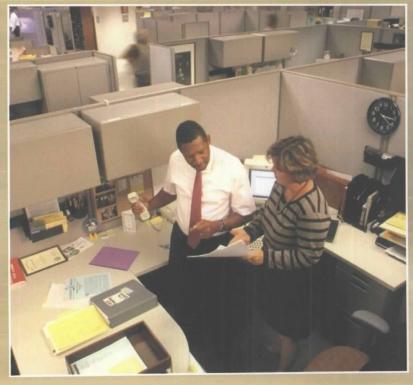
1970

Implemented the Consumer Information Center (now the Federal Citizen Information center) created by an Executive Order. Famous for its Pueblo, CO distribution center, the FCIC distributes millions of consumer information brochures, and answers millions of telephone calls and e-mails from citizens each year.



A series of improvements have been made to office spaces to meet the evolving needs of the Agency's workforce, including a model office space for the 21st century.





### INTRODUCTION TO PERFORMANCE

**GSA** focused on being a results-oriented organization during FY 2004, institutionalizing the Performance Management Process and utilizing OMB's Program Assessment Rating Tool.

# GSA AND THE PERFORMANCE MANAGEMENT PROCESS

The Performance Management Process (PMP) is an ongoing process intended to facilitate sound business and financial practices. Throughout the fiscal year, this approach encouraged collaborative decision-making among GSA senior leaders regarding strategic plans, budget priorities, and performance results.

In the broadest perspective, GSA's PMP is a systematic approach to achieving results by analyzing customer and taxpayer requirements, setting performance goals based upon those requirements, developing action plans, allocating resources in a manner that integrates budget and performance goals, and executing the plans as necessary to achieve desired results. The integration of strategic planning, budget development, and performance management will help GSA apply its financial resources strategically to deliver best value to its customers and meet all of its strategic goals.

In support of the PMP, GSA has instituted a common Webbased user interface called the Performance Management Tool. By linking resources and results, this financial and performance reporting tool allows all associates, including the Administrator, Regional Administrators (RA), and other managers, to review quarterly results.

Within the PMP, GSA has used the President's Management Agenda (PMA) as a guide to establish business practices that enabled GSA to achieve quantifiable results and a workplace that has been rated one of the best in the Federal government by the Partnership for Public Service. The PMA has helped GSA achieve:

- Linking budget to performance so associates have clear goals and objectives to measure program success
- Strengthening financial management so managers can make sound business decisions using accurate data
- Reducing spending by over \$2 million by applying competitive sourcing to commercial operations
- Reducing the time it takes to fill positions to less than 45 days
- Launching USA Services, a single, electronic "front door" to Federal information and services.

GSA is committed to ongoing improvement and expects to continue adapting the PMA initiatives to provide best value results to its customer agencies and the American taxpayers.

# GSA AND THE PROGRAM ASSESSMENT RATING TOOL

As part of the PMA, the OMB has established the Program Assessment Rating Tool (PART), which is used to objectively evaluate program performance. GSA has 12 programs that have received PART reviews. Of the 12 programs reviewed, four received PART ratings ranging from "Adequate" to "Effective." GSA has prepared remediation plans for the eight programs rated "Results Not Demonstrated," outlining actions to remedy deficiencies in program goals with the aim of improving ratings.

#### PART FISCAL YEAR SCHEDULE' AND RESULTS

GSA PROGRAM	RATING
FY 2002	
FSS Multiple Award Schedules	RESULTS NOT DEMONSTRATED
FSS Supply Depots & Special Order	ADEQUATE <sup>2</sup>
FSS Vehicle Acquisition	ADEQUATE <sup>2</sup>
FSS Vehicle Leasing	Moderately Effective <sup>2</sup>
PBS Asset Management of Real Property	Effective <sup>2</sup>
FY 2003	
FSS Personal Property Management	RESULTS NOT DEMONSTRATED
FTS Regional IT Solutions	RESULTS NOT DEMONSTRATED
PBS Leasing Space	RESULTS NOT DEMONSTRATED
PBS Real Property Disposal	Results Not Demonstrated
FY 2004	PARTY BUILDING
FTS NATIONAL IT SOLUTIONS	RESULTS NOT DEMONSTRATED
OGP Office of Governmentwide Policy	RESULTS NOT DEMONSTRATED
PBS Construction	Results Not Demonstrated
FY 2005	
FSS Travel & Transportation	Not Yet Evaluated
FTS Long Distance	Not Yet Evaluated
FTS Telecommunications	Not Yet Evaluated
PBS Misc Building Ops	Not Yet Evaluated
STAFF WORKING CAPITAL FUND	Not Yet Evaluated
FY 2006	
CTC D	NOT YET EVALUATED
FTS Professional Services	TIOT TEL ELIZIONE

The budget is prepared two years in advance of the fiscal year, i.e. a PART review for the 2004 Budget is completed in FY 2002.

In FY 2004, GSA made a conscientious decision to reduce the number of measures reported in the Performance and Accountability Report (PAR) in order to focus attention on the key measures in support of GSA's strategic goals. The remainder of this section provides performance highlights, key measures, and results for the key measures from the Services and selected Staff Offices. The complete list of measures for FY 2004 can be found in Appendix II. Performance measures that GSA is no longer reporting externally can be found in Appendix III.

<sup>&</sup>lt;sup>2</sup> Originally scored as Results Not Demonstrated, rescored in FY 2004.

#### **PUBLIC BUILDINGS SERVICE**

**PBS**, as landlord to the civilian Federal government, strives to provide a superior workplace for the Federal worker at a superior value to the U.S. taxpayer. By providing its customers with quality work environments, PBS enables Federal agencies to better serve the public. As the largest public real estate organization in the nation, PBS provides workspace and workplace solutions to over 100 Federal agencies.

PBS has undertaken a Portfolio Restructuring Initiative to better align the building portfolio with GSA's mission. Increased focus has been placed on high performing assets. Other assets that are expensive to operate and maintain, produce little or no net income, require significant capital repairs, and do not adequately serve customer agencies will be disposed, if feasible and practical. The restructuring effort focuses GSA's attention on the financial and physical performance of each asset in the portfolio, prioritizes reinvestment dollars, provides quality workplaces, increases customer satisfaction and increases sustainability of historical and culturally significant landmarks.

Also, a Human Capital Strategy was implemented during FY 2004 to address customer needs and to re-invigorate GSA's National Account Program with its major customer agencies. National Account Executives work closely with ordering officials from GSA's customer agencies to meet their expectations.

#### PERFORMANCE HIGHLIGHTS

The paragraphs below summarize the FY 2004 PBS performance results by program activity.

**CONSTRUCTION:** PBS is involved in a multi-year program to build new Federal Courthouses and rehabilitate existing Federal Courthouses to accommodate new security requirements, enhanced prisoner security



and handling measures, an increased number of Federal cases, and an increased number of Federal judges. Five new courthouses have been completed during FY 2004: Gulfport, MS; Wheeling Annex, WV; Seattle, WA; Laredo, TX; and, Erie, PA. A design contract was awarded for a courthouse in Austin, TX. Through a contract with the Georgia Institute of Technology, a secure Internet site has been established that provides documentation on completed courthouses. The site includes a compendium of "Lessons Learned." In addition, a guide has been developed to facilitate improvements in gathering information prior to starting the design of future courthouses.

In FY 2004, construction projects on schedule improved to 80 percent from 68 percent in FY 2003, reflecting process improvements established by PBS. Even with the substantial improvement from last year, PBS missed its target of 84 percent.

**LEASING SPACE:** A National Commercial Broker Services Contract developed in FY 2004 was awarded in October 2004. This contract addresses the increased capacity needs

## PBS

of the Leasing Program within PBS. It will allow PBS to leverage the size and the value of its leasing program, while achieving cost savings and improving customer service. An added benefit is a coherent national business process. During FY 2004, PBS determined that issuing a contract in which the broker will be paid on a commission basis by the lessor would provide the greatest value. GAO ruled on August 14, 2003 (Decision B-291947) that GSA may enter into such contracts for real estate broker services. PBS's objective is to lease space to provide customer agencies the best value for taxpayer dollars. Often it is not just about acquiring space with the lowest cost, but rather it's the location, building amenities, space features, and other factors that provide better value. The target for FY 2004 for the cost of leased space relative to the market was eight percent below market. In FY 2004, PBS was 10.6 percent below comparable market costs.

PBS's performance goals for its existing lease inventory include increasing the number of highly satisfied tenants to 68 percent and maintaining a very low vacancy rate of 1.5 percent. PBS achieved both of these objectives by increasing the percentage of highly satisfied tenants to 70.3 percent and limiting the vacancy rate in its total leased inventory to 1.2 percent.

**ASSET MANAGEMENT OF REAL PROPERTY:** PBS has had continued success at providing building operations services at levels comparable to the private sector and at costs below the market average. In FY 2004 combined cleaning, maintenance, and energy costs stood at 14.5 percent below the private sector.

PBS is also progressing toward meeting its long-term energy reduction goals. By the end of FY 2004, PBS has reduced energy consumption by 22.4 percent from the 1985 baseline, just short of its FY 2004 objective of a 22.6 percent reduction. PBS is still on track to meet the long-term goal of a 35 percent reduction by FY 2010.

The goal of the R&A program is to keep GSA buildings in good repair and provide Federal tenants with quality workspace that enables them to carry out their missions. The program's workload does change over time as the buildings age and the composition of the inventory changes. PBS is focusing reinvestment capital on the most productive assets with long-term Federal purposes. These actions are part of PBS's Portfolio Strategy. Better scheduling and more aggressive tracking will improve the management of R&A projects. PBS has set specific goals and objectives to be accomplished in FYs 2005, 2006, and beyond. For example, by FY 2005 PBS plans to have 86 percent of R&A projects completed on schedule. In FY 2004, the percentage of R&A projects completed on schedule was 78 percent. As the PBS Portfolio Strategy is implemented, PBS is reducing the total reinvestment needs of the owned portfolio. Nonperforming assets, which are unable to generate sufficient income for their reinvestment requirement, and assets for which there is no long term Federal need, are being redeployed for disposal, exchange, or transfer. By redeploying nonperforming and underutilized assets, the portfolio's capital reinvestment needs were reduced by a total of \$193 million in FYs 2003 and 2004.

#### PBS PERFORMANCE BY GSA-WIDE GOAL

#### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

PERFORMANCE GOAL	RESULT
Achieve an overall customer satisfaction rating in leased space of 68% by FY 2004.	Goal Met
Deliver leased space to GSA clients at not less than 8% below industry for office space in FY 2004.	GOAL MET

#### **PERFORMANCE GOAL**

Achieve an overall customer satisfaction rating in leased space of 68 percent by FY 2004.

#### MEASURE

Percent of highly satisfied tenants in leased space.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
N/A	N/A	66%	68%	70%

**DESCRIPTION OF THE MEASURE:** A high level of satisfaction with one's work environment is a key factor that promotes productivity, thus enhancing the Federal workforce's service to the public. PBS has partnered with The Gallup Organization to assess these satisfaction levels through a customer survey developed in collaboration with the International Facilities Management Association.

In FY 2004, PBS altered its target methodology in determining customer satisfaction. Instead of a "yes/no" question format, which did not provide any distinction in the level of satisfaction, PBS used a 1-5 rating and only counted 4's and 5's as "highly satisfied" tenants. As a result of the change in methodology, the goals for customer satisfaction were reduced, but should provide a better gauge of true customer satisfaction.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** PBS has succeeded at meeting its FY 2004 target by making a concentrated, organization-wide effort at increasing the level of satisfaction of its tenants. PBS can expect continued improvements as a result of its Human Capital Initiative and the creation of its new Office of National Customer Services Management.

The Office of National Customer Services Management coordinates customer relationships and creates and implements business processes, tools, and training. The Office also provides guidance to support the acquisition and delivery of space assignments and related services to its customers.

## PBS

#### **PERFORMANCE GOAL**

Deliver leased space to GSA's clients at not less than 8 percent below industry for office space in FY 2004.

#### **MEASURE**

Cost of leased space relative to market.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
11.0%	14.0%	7.41%	8.0%	10.6%

**DESCRIPTION OF THE MEASURE:** PBS benchmarks its leasing costs in office space to the private sector. By consistently paying lease rates at or below comparable market rates, PBS ensures that it is achieving the best value for the taxpayer. When calculated by contract, this measure also provides information as to the effectiveness of PBS's negotiating of favorable contract rates.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** PBS's success at exceeding the FY 2004 target is due in part to its very successful negotiating of new follow on leases at existing locations.

#### GSA-WIDE GOAL 2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT

PERFORMANCE GOAL	RESULT
Maintain vacant space in leased buildings below 1.5% in FY 2004.	GOAL MET
New construction projects on schedule 84% of the time by FY 2004.	GOAL NOT MET
86% of repair and alteration projects on schedule by FY 2004.	GOAL NOT MET

PERFORMANCE GOAL	
Maintain vacant space in leased buildings below 1.5 percent in FY 2004.	
MEASURE	
Percent of vacant space in leased inventory.	

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
2.2%	2.0%	1.4%	1.5%	1.2%

**DESCRIPTION OF THE MEASURE:** This measure evaluates PBS's effectiveness at maximizing the use of existing leased space in PBS's real property inventory. Vacant space includes any space for which PBS currently has no tenant, including space that it has committed to a customer, but is not yet occupied.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** PBS has continued to improve in this area by periodically re-evaluating client agency space needs and evaluating opportunities for filling vacant space in existing leases. PBS has concentrated its efforts on reducing vacant space due to the significant savings to the taxpayer that can be achieved from maintaining a high asset utilization rate.

#### **PERFORMANCE GOAL**

New construction projects on schedule 84 percent of the time by FY 2004.

#### MEASURE

Percent of construction projects completed on schedule.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
75%	78%	68%	84%	80%

**DESCRIPTION OF THE MEASURE:** PBS strives to meet customer needs in a timely manner. In addition, PBS financial projections include rental income from new construction projects as of the anticipated date of occupancy. It is, therefore, critical that projects be completed on time so that they can begin to generate expected revenue. This measure shows the percentage of projects completed on schedule, weighted by cost. This measure uses an earned value technique to assess construction project performance on all projects over \$10 million.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The FY 2004 target was not met. PBS has begun positioning itself to achieve its long-term goal of completing 90 percent of new projects on schedule by FY 2010. While falling short of the FY 2004 target, the overall new construction program on schedule improved significantly over last year, rising from 68 percent to 80 percent. One major project comprising over 15 percent of the overall value of the new construction program did not finish the fiscal year on schedule, and had a significant negative impact on the overall performance of the new construction program. During the fiscal year, PBS implemented several new initiatives, such as quality assurance reviews of the project scopes of work and cost estimate reviews of project budgets, which were designed to improve the program's performance. With these initiatives and PBS's ongoing efforts to enhance the available tools and resources to project management teams, such as the new Project Manager Desk Guide to be rolled out in FY 2005, the performance of the capital program should continue to improve.

#### **PERFORMANCE GOAL**

Eighty-six percent of repair and alteration projects on schedule by FY 2004.

#### **MEASURE**

Percent of R&A construction projects on schedule.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
75%	87%	78%	86%	78%

**DESCRIPTION OF THE MEASURE:** PBS financial projections include rental income from newly repaired and altered space as of the anticipated date of occupancy. It is, therefore, critical that projects be completed on time so that they can begin to generate expected revenue. This measure shows the percentage of projects on schedule, weighted by cost. This measure uses an earned value technique to assess major R&A project performance on all projects more than \$10 million.

# PBS

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The FY 2004 target was not met. One major project in the R&A program, comprising nearly 20 percent of the value of the overall R&A program, fell short of the measure in FY 2004 and had a significant negative impact on the overall performance of the R&A program. Without this project, the R&A program would have exceeded its target for FY 2004. During the fiscal year, PBS implemented several new initiatives, such as quality assurance reviews of the project scopes of work and cost estimate reviews of project budgets, designed to improve the program's performance. With these initiatives and PBS's ongoing efforts to enhance the available tools and resources to project management teams, such as the new Project Manager Desk Guide to be rolled out in FY 2005, the performance of the R&A program should continue to improve over the long term.

#### GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY

#### PERFORMANCE GOAL

RESULT

Maintain operating service costs in office and similarly serviced space at 12% or more below private sector benchmarks by FY 2004.

GOAL MET

#### PERFORMANCE GOAL

Maintain operating service costs in office and similarly serviced space at 12 percent or more below private sector benchmarks by FY 2004.

#### **MEASURE**

Cleaning, maintenance, and utility costs in office and similarly serviced space - percent below private sector benchmarks.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
16.1%	17.0%	14.8%	13.4%	14.5%

**DESCRIPTION OF THE MEASURE:** PBS uses several benchmarks to monitor operating costs – maintenance, utilities, and cleaning – in comparison with those in equivalent private sector buildings. The Building Owners and Managers Association (BOMA), an advocacy group for the real estate industry, is PBS's primary source for private sector operating cost information.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** PBS has been successful at managing building operations cost by negotiating cleaning and maintenance contract rates below BOMA benchmarks and by continuing energy reduction efforts.

PBS

# GSA-WIDE GOAL 6: CARRY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY

#### PERFORMANCE GOAL

RESULT

Improve energy reduction in standard facilities to 22.6% below the FY 1985 baseline by FY 2004.

GOAL NOT MET

#### PERFORMANCE GOAL

Improve energy reduction in standard facilities to 22.6 percent below the FY 1985 baseline by 2004.

#### MEASURE

Percent reduction on energy consumption from the FY 1985 baseline.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
18.4%	22.5%	18.6%	22.6%	22.4%

**DESCRIPTION OF THE MEASURE:** PBS is a responsible steward of the environment and is committed to implementing energy-saving solutions that improve the energy efficiency of operations and save taxpayer dollars. In addition, EO 13123, "Greening the Government through Efficient Energy Management," mandates that PBS achieve a 35 percent reduction in energy consumption over its 1985 baseline by 2010.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** PBS did not meet its target by 0.2 percent. PBS was unable to process energy BTU (British Thermal Unit) credits from purchasing "green" power by the end of the reporting period for this measure. However, with the planned purchases of green power, PBS is on track to meet the FY 2005 goal.

#### FEDERAL SUPPLY SERVICE

**FSS** provides a wide variety of services and products at competitive prices to the Federal agencies that serve the public.

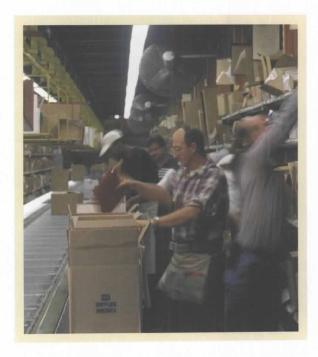
As acquisition of services and complex solutions continued its trend of rapid growth during FY 2000 to FY 2003, FSS recognized the need to update training programs developed after passage of earlier acquisition reform legislation. In FY 2003 FSS began developing a training program that emphasized that everyone in the FSS acquisition value chain (associates, buyers, and sellers) shares responsibility for following acquisition procedures, regulations, and laws in order to "Get It Right." In FY 2004, this initiative, the "Get It Right" campaign, became a GSA-wide effort with customer agency partners, particularly the Department of Defense (DOD), to strengthen acquisition processes.

#### PERFORMANCE HIGHLIGHTS

The paragraphs below summarize FY 2004 FSS major performance results by business-line activity.

**SUPPLY:** In FY 2004 Global Supply sales to Federal customers exceeded \$1 billion, over 50 percent of which can be attributed to support of military customers overseas, civilian agencies in charge of fire suppression, and customers who have no commercial alternative for product fulfillment. This reflects an increase of 3 percent from FY 2003 sales, with support to military customers increasing by approximately 11 percent. Practically all of FSS's support to military customers can be attributed to sustaining the level of support for the troops in the Middle East.

**COMMERCIAL ACQUISITION:** Total sales through Multiple Award Schedule (MAS) contracts and IT governmentwide Acquisition (GWAC) contracts were \$34.96 billion during FY 2004. The IT Acquisition Center in the Central Office



continues to have the largest MAS sales volume with approximately two-thirds of the sales for services and onethird of the sales for products. IT schedule sales surpassed \$16 billion in FY 2004. Services account for approximately 70 percent of the MAS program sales, and are growing faster than products. Logistics Worldwide and Language Services are some of the fastest growing services, with FY 2004 sales doubled over FY 2003 sales. Professional Engineering Services saw a 50 percent increase in sales from FY 2003. Management, Organizational & Business Improvement Services has not maintained the rapid sales growth of FY 2001 and FY 2002, yet this schedule surpassed \$2 billion in sales in FY 2004. Law enforcement, firefighting, and security services and products are also Products account for approximately growing fast. 30 percent of MAS program sales. Products from the General Products Center in Fort Worth, TX, are among the fastest growing sales.

FSS

VEHICLE ACQUISITION AND LEASING SERVICES: GSA Automotive, the vehicle acquisition service, is a mandatory source that leverages the buying power of the Federal government to obtain significant discounts for Federal agencies. In FY 2004 over 64,000 vehicles were procured at discounts averaging greater than 30 percent below commercial pricing. GSA Fleet, the leasing service, grows through transferring vehicle ownership and management responsibilities of other Federal agencies' fleets to GSA. Since 1985, Fleet consolidations have been a smart solution for the Federal government, with FY 2004 savings to taxpayers exceeding \$82 million dollars. This service is funded through monthly rates and mileage fees by vehicle type. During FY 2002 and FY 2003 approximately 6,700 vehicles were consolidated into the GSA Fleet. GSA Fleet consolidated an additional 1,294 vehicles in FY 2004. Savings through vehicle consolidations into the GSA Fleet will continue to reduce costs to customer agencies, eliminating their capital requirements for vehicles, and decreasing their need for personnel to manage fleets. GSA Fleet services traditionally cost at least 20 percent less than the private sector and continue to provide the best value to the Federal government. Examples of some of the largest consolidations over the past three years are the CONUS Air Force (USAF) and the Navy base in Sigonella, Italy (EuroUSN). The majority of vehicles consolidated into GSA's Fleet save customers and taxpayers \$680 per vehicle per year.

TRAVEL AND TRANSPORTATION: The Travel and Transportation business line helps control the Federal government's direct and administrative costs for travel and transportation services. Travel services include negotiated airline contracts, travel agency, and travel charge card services. Transportation services include the shipment of parcels, freight, and household goods. The business line also oversees the use of audit contractors to examine the government's air passenger, freight, and household goods transportation billings so as to identify and seek recovery of incorrect billings and overpayments for the Federal government. In recent years Federal travel and transportation budgets have totaled over \$27 billion each year.

The travel services, household goods, and freight programs are funded through fees paid by Federal agencies.

The eTravel initiative is one of the PMA eGov initiatives, and GSA has awarded contracts to three vendors to provide a Web-based, end-to-end travel management service for Federal employees. The eTravel Service (eTS) supports travel planning, authorization, and arrangements, as well as travel voucher preparation and approval. It unifies and simplifies travel services for Federal employees and enables effective management through data standardization and business intelligence. Civilian agencies are expected to complete deployment of the eTS by September 30, 2006.

PERSONAL PROPERTY MANAGEMENT: The personal property management program provides for property sales through comprehensive, cost-effective solutions. Property no longer needed by one Federal agency is entered into an electronic system for screening and use by other Federal agencies, thereby avoiding new procurements. Property with no further Federal use can be screened electronically and is offered at no cost to state and local governments and eligible nonprofit groups. Property whose value cannot be extended by reuse or donation is sold to the public, primarily through online auctions.

The FAS Personal Property eGov initiative has resulted in a contract award to a commercial firm that will establish an eMarketplace for the sale of Federal personal property. However, there has been a protest to the award that is expected to delay FAS implementation until perhaps early FY 2006. The FAS Personal Property solution should make it easier for customers to find and buy government assets, increase net proceeds from asset sales, decrease agencies' expenses related to asset sales, improve the personal property sales process, and accelerate asset disposal time. The utilization and donation (U&D) program of the Personal Property Management business line is funded by \$11.8 million in congressional appropriations; \$14.8 million in receipts funded the sales program.



#### FSS PERFORMANCE BY GSA-WIDE GOAL

#### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

# MAINTAIN 20% OR BETTER DISCOUNT FROM MANUFACTURER'S INVOICE PRICE. (Vehicle Acquisition) RESULT GOAL MET

# PERFORMANCE GOAL Maintain 20 percent or better discount from manufacturer's invoice price. (Vehicle Acquisition) MEASURE Percentage discount to customers from invoice price.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
19.1%	27.3%	26.3%	≥20.0%	33.1%

**DESCRIPTION OF THE MEASURE:** The average percentage savings is calculated by the weighted average discount from vehicle manufacturer's invoice prices for GSA's seven top-selling vehicle types. Business projections show that 20 percent discount below invoice continues to be a reasonable long-term outcome goal for this business line.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The target was met. GSA Automotive tracks the discount from invoice for the top seven selling vehicles as a measure of internal efficiency to ensure that FSS receives the maximum discount from the manufacturer's invoice price. FSS has achieved a discount of 20 percent or more since 1999, and business projections show that 20 percent continues to be a reasonable annual target for this business line. This translates to extremely effective pricing on the vehicles purchased for customer agencies, as well as those in the GSA Fleet, which keeps monthly and mileage charges well under commercial lease rates.

The FY 2004 target for this measure was exceeded because of several factors. The large annual consolidated acquisition of vehicles is the primary reason that GSA Automotive realizes large discounts from manufacturer's invoice prices, which are passed on to customers. Great prices are based on volume purchasing. Volume purchasing drives competition among the "Big 3" vehicle manufacturers – General Motors (GM), Chrysler and Ford. In FY 2004, vehicle manufacturers were very aggressive in sales of vehicles. This situation could change for a number of reasons beyond GSA's control, such as unforeseen changes in the economy. GSA Automotive program is currently re-training all contracting personnel. Improved negotiation skills, along with expert knowledge of contracting principles and Federal regulations, will ensure superior performance for this measure in the future.

#### **GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY**

PERFORMANCE GOAL	RESULT
REDUCE THE CYCLE TIME TO PROCESS CONTRACT OFFERS. (COMMERCIAL ACQUISITION)	GOAL MET
REDUCE THE MARK-UP FOR GSA STOCKED SUPPLY ITEMS TOWARD THE GOAL OF 34.0%.	GOAL MET
Maintain the gap between GSA Fleet rates and commercial rates at 20% or more. (Vehicle Leasing)	GOAL MET

#### PERFORMANCE GOAL

Reduce the cycle time to process contract offers. (Commercial Acquisition)

#### MEASURE

Cycle time to process offers (days).

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
115 days	110 days	92 days	105 days	87 days

**DESCRIPTION OF THE MEASURE:** Cycle time is measured in days, from the time of receipt of contract offer to execution. The data source is the Offer Review System, an acquisition tracking system that is standard to all acquisition centers.

measure in part because of additional acquisition workforce resources. In FY 2004, FSS hired additional acquisition personnel. This increase in the workforce has resulted in a better than expected decrease in cycle time to process contract offers. The variance between the target and the actual performance is also due in part to the organization's emphasis on improving cycle time, but the difficulty of forecasting workload trends across this large program remains.

FSS has developed eOffer as a paperless means for its vendor community to submit both contract proposals and modifications electronically. This new system was piloted in FY 2004. Once it is fully implemented, improvements in the efficiency of the acquisition cycle will be realized. Additionally, eOffer will increase cycle time data validity and accuracy.

#### **PERFORMANCE GOAL**

Reduce the mark-up for GSA stocked supply items toward the goal of 34.0 percent.

#### MEASURE

Percent of mark-up for stocked items.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
N/A	48.5%	45.9%	45.0%	42.8%

**DESCRIPTION OF THE MEASURE:** Mark-up is the additional fee that GSA Global Supply charges customers to cover its costs and is reflected in this measure as the average percentage. Stocked items are stored in GSA's Supply Distribution Centers. The long-term goal is to reduce mark-up from 48.5 percent in FY 2002 to 34.0 percent in FY 2009. This measure tracks the progress towards achieving this goal.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** GSA Global Supply performed successfully to achieve this target in FY 2004. The primary reason that this target was achieved is attributed to a 2.0 percent reduction that was implemented April 1, 2004. It was estimated that the reduction would result in a savings of \$5.6 million to the taxpayer for the second half of FY 2004. This 2.0 percent reduction represents an accelerated step towards achieving the long-term goal of 34.0 percent.



GSA provided disaster support, in the form of temporary housing , after the 2004 hurricanes which caused widespread devastation from the Florida Keys to the Mississippi Gulf Coast.

#### PERFORMANCE GOAL

Maintain the gap between GSA Fleet rates and commercial rates at 20 percent or more. (Vehicle Leasing)

#### MEASURE

Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
N/A	N/A	36.86%	≥20.0%	31.67%

**DESCRIPTION OF THE MEASURE:** GSA Fleet annual rates are compared to the private sector companies on schedule with the GSA Automotive Division. FSS proposed this measure for the first time in FY 2004 and generated an externally reported FY 2003 actual savings at 58 percent that had been based on historical data. After reviewing the measure, the methodology for calculating gap between GSA Fleet leasing rates and commercial rates was modified in order to accurately reflect the gap. Under the new methodology, the FY 2003 actual is calculated at 36.86 percent.

Market conditions and business projections indicate that leasing vehicles at a savings of 20 percent or better over the private sector rates continues to be a reasonable long-term goal for GSA Fleet.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The target was met. This was a new measure for FY 2004. The FY 2003 actual performance data was generated from historical data. GSA Fleet did not have a rate increase between FY 2003 and FY 2004, so there is a slight reduction in savings between years.

GSA Fleet has limited rate increases for customer agencies and controlled costs through numerous initiatives. Performance towards program goals is tracked through several performance indicators. GSA Fleet maintains low rates due to vigilant monitoring of operation expenses, such as maintenance and repair costs, and overall reduction in program overhead through the consolidation of selected Fleet Management Center (FMC) locations. GSA Fleet continues to reduce costs while maintaining superior, world-class levels of customer satisfaction and retention, resulting in significant savings and benefits over the private sector.

### FTS

#### FEDERAL TECHNOLOGY SERVICE

FTS provides telecommunications, professional services, and IT products and services to Federal agencies in support of their mission to the public. FTS adds value by providing technical, acquisition, life-cycle project management, and financial services support to Federal agencies. These services save taxpayer dollars by making it possible for customer agencies to avoid doing costly, time-consuming technology acquisitions, and enabling them to devote more of their resources directly to agency missions and programs.

#### PERFORMANCE HIGHLIGHTS

The paragraphs below summarize FY 2004 FTS major performance results by business line activity.

**NETWORK SERVICES:** Declining prices, a general downturn in the capital markets, downsizing, mergers, and allegations of wrongdoing have challenged the telecommunications industry. FTS Network Services – long distance and regional telecommunications – has responded proactively to these challenges by:

- Actively monitoring the regulatory actions of the Federal Communications Commission and the State Public Utility Commissions for rules and/or regulations that may impact FTS service offerings.
- Reviewing access charges and other telecommunications charges to ensure that FTS industry partners comply with rules and regulations and do not overcharge customers for services provided.
- Adding new industry partners to provide choices to FTS customers and to enable the potential for alternative and/or redundant offerings that help ensure continuity of services.



FTS Network Services will continue to watch the regulatory and market environment for potential impact to its customers and its service offerings. The performance of FTS industry partners will continue to be monitored and information will be shared with FTS customers, Congress, and industry partners.

assisted acquisition services to help Federal agencies acquire and manage IT products and services, primarily through the use of contracts with industry partners. IT Solutions provides these assisted services through 11 regional and four national customer service centers (CSC).

One of the largest contracts awarded by IT Solutions is an enterprise-wide project for the U.S. Environmental Protection Agency (EPA). The project scope includes the agency call center, local and wide area networking, cabling, seat management, dial tone, e-mail, Web and

FTS

application hosting, high performance computing, and managing the EPA data center. In the second year of its implementation, the project has successfully implemented a Managed Call Center and Managed Desktop Services, both improving service levels and lowering costs. The project, using performance-based contracting, instituted cost saving measures that reduced overall costs by \$14 million during FY 2003 and anticipates an additional 5 percent savings during FY 2004. The project has also continued to exceed substantial small business subcontracting goals, achieving 49 percent of subcontracting dollars to small businesses during the first half of FY 2004.

FTS is working with the DHS, at their request, to execute a Memorandum of Understanding between DHS and FTS to provide acquisition support to the Office of the Chief Procurement Officer, DHS. FTS will provide a single point of contact and on-site acquisition expertise representing the three FTS business lines (IT Solutions, Network Services, and Professional Services) with national and regional representation to DHS to assist in the quantification and execution of requirements. The DHS Office of the Chief Procurement Officer estimates the value of requirements to be \$1 billion to \$3 billion per year. This process will ensure that all potential GSA acquisition solutions are considered and the appropriate resources are in place to effectively execute DHS requirements.

IT Solutions will use its unique cross-government vantage point and expertise to develop, oversee, and maintain a governmentwide enterprise software licensing agreement initiative known as SmartBUY. Program management of the SmartBUY program was established in IT Solutions in April 2004 to leverage the buying power of the Federal government and provide governmentwide software licensing through enterprise agreements that provide best prices and terms and conditions for commercial software. The aggregation of software requirements across the government will help to achieve savings through cost avoidance of millions of dollars annually. The OMB is sponsoring this new program and has directed agencies to use this program when purchasing specified software.

A continuing focus within the IT Solutions business line is to seek opportunities to improve business service delivery to client agencies. The systems modernization effort underway will replace regional and national IT Solutions business systems with a single project ordering and management system using COTS software. During FY 2004, IT Solutions completed the development and began the deployment of the GSA Preferred (GSAP) business system (previously referred to as 3GS). By unifying the FTS task order business under one system, GSAP, FTS will simplify and improve the manner in which it supports its clients and conducts business with its industry partners. In addition, FTS has implemented initiatives to improve the quality of its acquisition services, including nationwide standards, policies, and procedures. FTS has also established better review processes to ensure appropriate management controls.

PROFESSIONAL SERVICES: The Office of Professional Services (OPS) completed its first full fiscal year of operation in FY 2004. It was intended that this first year would provide the foundation and establish baselines for this product line. The Professional Services business line is the first extension for FTS in providing acquisition services that are not primarily related to IT or network services. FTS assists customers in buying services available on eight GSA Schedules managed through two Acquisition Centers in the FSS. OPS will continue to build new partnerships among the existing business lines in FTS and FSS while continuing to deliver quality solutions to existing and new customers.



#### FTS PERFORMANCE BY GSA-WIDE GOAL

#### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

#### PERFORMANCE GOAL

RESULT

Provide Federal customers substantial savings as a result of purchasing FTS telecommunications products and services.

GOAL MET

#### **PERFORMANCE GOAL**

Provide Federal customers substantial savings as a result of purchasing FTS telecommunications products and services.

#### **MEASURE**

FTS telecommunications pricing as compared to best commercial prices.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
N/A	\$32.8M	\$574.1M	\$514M	\$705M

**DESCRIPTION OF THE MEASURE:** The estimated savings are defined as the cost difference between the FTS 2001 prices and best commercial prices. These savings translate to projected dollar amounts that GSA has saved Federal customers. This measure reflects the cumulative savings that customers realized as a result of obtaining long-distance network services from GSA's FTS.

voice, private line, data services, or Internet Protocol) the FY 2004 savings are \$705 million based on the gross sale volume. This savings amount exceeds the target due to a combination of an increase in sales volume and to a change in the estimated cost savings methodology. Historically, GSA has reported the cost savings based on financial volume. Financial volume does not reflect the actual gross sales associated with the Long Distance program since only 7 percent of the GSA management fee is reported as sales for Direct Billed customers. GSA has recently reset the baseline for the estimated savings according to sales volume, which includes 100 percent of the sales for Direct Billed customers.

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#### **GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY**

# PERFORMANCE GOAL MEET CUSTOMER REQUIREMENTS FOR TRANSACTION CYCLE TIME. GOAL NOT MET

#### **PERFORMANCE GOAL**

Meet customer requirements for transaction cycle time.

#### MEASURE

Percentage of negotiated award dates for services and commodities that are met or bettered. (Regional IT Solutions)

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
N/A	93%	91%	> 93%	88%

**DESCRIPTION OF THE MEASURE**: To improve customer communications concerning task order requirements and service expectations, the CSCs track and report actual task order award dates for services and commodities against the task order award dates that have been negotiated with customer agencies. Percentage is calculated based on task orders with award dates met compared to all task orders awarded.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** Additional internal management control processes and procedures implemented in early FY 2004 resulted in longer than anticipated acquisition processing timeframes and negotiated award dates that were not met as planned. Improvements in meeting negotiated award dates for task order requirements were demonstrated in the fourth quarter of FY 2004 due to improved customer communications and adjustments to processing timeframes.



# GSA-WIDE GOAL 6: CARRY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY

# PERFORMANCE GOAL OBTAIN BEST VALUE SOLUTIONS THROUGH COMPETITION. GOAL MET

# Obtain best value solutions through competition. PERFORMANCE GOAL Obtain best value solutions through competition. MEASURE Percentage of task and delivery orders subject to the fair opportunity process. (Regional IT Solutions)

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
70%	70%	86%	> 85%	96%

**DESCRIPTION OF THE MEASURE:** As an executive agent, GSA is authorized to award and administer task and delivery orders against GWACs on behalf of other agencies. This performance measure tracks the percent of task orders in which all contract holders were afforded a fair opportunity to be considered for the award. There are four authorized exceptions to the fair opportunity process: 1) urgency, 2) unique source, 3) logical follow-on, and 4) minimum guarantee of a certain level of business. The metric is an indicator of the competition fostered in placing orders against the GWACs.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The target was met. The target was exceeded due to training conducted on GWAC ordering procedures and continued management emphasis on limiting the use of exceptions to the fair opportunity process. These actions resulted in increased competition reflected in an increased number of task orders subject to fair opportunity.

## OGP

#### OFFICE OF GOVERNMENTWIDE POLICY

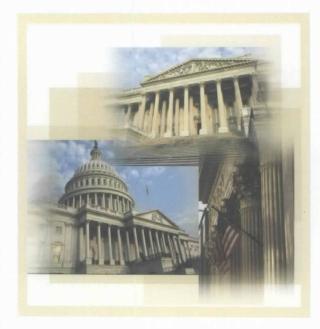
**OGP** exercises GSA's authorities as one of the central management agencies of the Federal government. OGP provides governmentwide policies to improve the management of acquisition, real and personal property, travel and transportation, and administrative services. OGP seeks to improve government services through the effective use of technology, performance measures, collaboration, regulations, and best practices. As a leader and partner in numerous cross-agency initiatives, OGP works to improve business processes.

#### PERFORMANCE HIGHLIGHTS

The paragraphs below summarize FY 2004 OGP performance results by program.

**ETRAVEL:** OGP made significant progress in FY 2004 in achieving its mission to deliver a unified, customercentric, travel management program for the Federal government. The eTravel initiative awarded contracts that launched the streamlining of the government travel management process that will replace over 200 existing disconnected travel systems with integrated end-to-end outsourced travel services. The commercial capabilities of eTS virtually eliminated agencies' major capital investments and operations and maintenance costs in hardware and software to support travel related business processes.

The Federal Travel Regulation (FTR) was modified to provide agencies with policy guidance on migration to eTS. OGP also established the eTravel Travel Management Office (TMO) to launch change management government-wide and assist Federal customers in their migration to eTS. The TMO provided agencies with migration planning tools and consulting services. These efforts established the foundation for GSA as a "center of excellence" for shared best practices in travel management. Service level agreements negotiated with eTS vendors in FY 2004 established performance expectations for superior customer service and successful eTS deployment.



#### FEDERAL EMPLOYEE IDENTITY (ID) CREDENTIALS: A

policy framework for Federal ID credentials was established under OGP's leadership to greatly enhance trust and uniformity. The first certified shared service providers relying on the digital signature element were approved for Federal buying in June. At least five agencies, DOD, Department of Interior (DOI), DHS, the Veterans Administration (VA), and the National Aeronautics and Space Administration (NASA), have committed to an aggregated buy of secure identity badges using these policies and supporting guidance OGP issued. The "Government Smart Card Handbook" published by GSA in March 2004 was recognized by the Smart Card Alliance industry association as the most comprehensive and complete reference on smart cards currently available. The handbook aids government agencies deploying smart card ID card systems in making good decisions by providing practical project plans, technology considerations, lessons learned, and surveys from smart card programs.



**E-AUTHENTICATION**: eAuthentication provides a governmentwide online identity verification architecture that brings convenience, costs savings, and simplicity to the authentication process by leveraging trust relationships between the government and the American public. Cornerstones of eAuthentication are policy, technology, credentials, and agency applications. The Authentication Service Component is an open-standards-based, federated architecture that will provide the government with a uniform method of validating the identity of users of online government systems. During FY 2004, the initiative has evolved a federated identity management model that allows eGov customers to re-use existing government and commercially issued credentials. As of June 30, 2004, eAuthentication is operating at the level of limited production, a state defined as the actual use of the architecture by at least one agency application with a compatible credential service. Two of the President's initiatives, Grants.gov (Health and Human Services (HHS)) and eTravel (GSA), are currently implementing eAuthentication.

REAL PROPERTY COUNCIL: GSA assisted with the development of Executive Order 13327, Federal Real Property Asset Management, issued by the President on February 4, 2004. The EO established both a Senior Real Property Officer within each Agency and the Federal Real Property Council (FRPC) comprised of the Senior Real Property Officers. The EO also delegated specific duties and responsibilities to GSA to support the work of the FRPC and improve the stewardship of Federal Real Property. OGP established a Project Management Office to support the FRPC and meet the needs of the initiative. Ongoing work of the FRPC includes implementation of a governance structure to facilitate process improvements for utilization and disposal of real property and establishing universal definitions, IT standards, and descriptive database for the government real property system

FEDERAL ASSET SALES: OGP participated with PBS and FSS in a study of the Federal property utilization, donation (U&D) and sales program. The focus of the study is on the consolidation of the sales function of government

property disposal, and is one of the PMA eGov initiatives. The study resulted in 14 recommendations. In addition to providing assistance in formulating project plans with milestones and developing outcome measures for several of the recommendations, OGP is moving forward on the six recommendations for which it has the lead. Implementation of the six recommendations will lead to incremental improvements to the U&D process and comprehensive improvements to the entire property management process.

**ACQUISITION:** As of June 15, 2004, all functions of OGP's Office of Acquisition Policy transferred to the newly created Office of Chief Acquisition Officer (OCAO). This transfer consolidated all GSA acquisition responsibilities into one office.

There have been notable improvements in the Federal Acquisition Regulations (FAR) rulemaking timeframes since the restructuring of the FAR committees and process improvements initiated by the FAR signatories at GSA, DOD, and NASA. During the first three quarters of FY 2004, 42 percent of all rules published were completed within 40 weeks. There were no rules published in the fourth quarter. The Acquisition Planning Wizard, launched in April 2004, assists agency program managers and acquisition workforce in implementing acquisition plans. While not mandatory, nearly 1000 acquisition plans have been initiated in this tool.

The Services Acquisition Reform Act of 2003 (SARA) (Title XIV, P.L. 108-136), authorizes the establishment of the Acquisition Workforce Training Fund (AWTF) to ensure that the Federal acquisition workforce adapts to the changing roles of the Federal government in acquisition of property and services. SARA emphasizes the need for improved skills for the government's acquisition workforce, and the AWTF, managed by GSA's Federal Acquisition Institute, enables GSA to implement improvements and increase support to governmentwide acquisition training. SARA also establishes the requirement for the creation of a OCAO in each Federal agency.



#### OGP PERFORMANCE BY GSA-WIDE GOAL

#### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

#### PERFORMANCE GOAL

Develop and issue effective guidance and policies in support of the Federal eAuthentication initiative.

GOAL NOT MET

**RESULT** 

#### **PERFORMANCE GOAL**

Develop and issue effective guidance and policies in support of the Federal eAuthentication initiative.

#### MEASURE

Number of Agency applications meeting eAuthentication credentialing policy standards (out of a universe of 24).

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
N/A	N/A	N/A	4	2

**DESCRIPTION OF THE MEASURE:** eAuthentication provides a governmentwide online identity verification architecture that brings convenience, cost savings, and simplicity to the authentication process by leveraging trust relationships between the government and the American public. Cornerstones of eAuthentication are policy, technology, credentials, and agency applications. Priority customer targets for the eAuthentication Initiative include PMA's 24 eGov initiatives. This measure provides the number of PMA eGov initiatives that have implemented the eAuthentication credentialing policy standards.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The target was not met. Two of the PMA initiatives, Grants.gov (HHS) and eTravel (GSA), are currently implementing eAuthentication. Grants.gov is currently using Access Certificates for Electronic Services (ACES) credentials in a pilot and will migrate to the eAuthentication Federal architecture upon completion of the pilot. eTravel will be leveraging 1.2 million existing Office of Personnel Management (OPM) Employee Express credentials.

Although eAuthentication has fallen short of the 2004 target of four PMA eGov initiatives, several more implementations are either under development or in final discussion stages. The GSA Integrated Acquisition Environment (IAE) Initiative is currently developing a pilot using ACES credentials. The eAuthentication Program Management Office is in discussions with the OPM eTraining staff regarding the reuse of Employee Express credentials. Although not part of the PMA initiatives, eOffer in GSA is an eGov application that went operational on May 17, 2004 using ACES certificates with plans underway to use DOD External Certification Authority (ECA) and State of Illinois certificates.



#### OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS

**OCSC** was created to serve as the nation's new front door to the information and services of the Federal government. Combining all of GSA's citizen-centered activities into a single office, the primary goal of OCSC is to find new ways for citizens, businesses, other governments, and the media to easily obtain information and services from the government on the Web, via e-mail, in print, by fax, and over the telephone. OCSC interacts with the media, Federal agencies, the general public, and with GSA internal audiences to provide information on activities of GSA and its associates.



The paragraphs below summarize FY 2004 OCSC major performance results by program.

**USA SERVICES:** USA Services is the official multi-channel front door to Federal information and services for citizens. Its charter is to improve the delivery of information and services while affecting significant government efficiencies and budget savings. These benefits will be achieved by creating a single point of contact for citizens where information resources from all Federal agencies may be located and obtained.

USA Services is the result of the merger of two major programs, each of which has been providing comprehensive access to Federal information and services within its particular medium. The two programs are FirstGov.gov (for Web services) and the Federal Citizen Information Center (FCIC), which operates several public facing Web sites, the National Contact Center (NCC) at 1-800-FED-INFO (for telephone and e-mail services), and a print information distribution facility in Pueblo, CO (for publications).

By partnering with other government agencies, USA Services is improving citizen customer services. It is also developing, through collaborative efforts, governmentwide standards in customer service, performance metrics, and best practices



for customer service while saving the agencies the cost of performing the services with their own resources.

GSA'S ENTERPRISE-WIDE CUSTOMER RELATIONSHIP MANAGE-MENT (CRM) PROGRAM: GSA began its CRM program approximately three years ago. The program started with individual CRM implementations for the FTS followed by FSS. These initial pilot implementations focused on building consumer intelligence, managing customer accounts, qualifying and pursuing large customer opportunities, and offering best value solutions using a COTS solution from Siebel Systems.

ENTERPRISE-WIDE MARKETING: A complete redesign of the GSA homepage, www.GSA.gov, began in the second quarter of FY 2003. This effort included the complete restructuring of the site and reorganizing roughly 5,000-plus content items. The intent of the new Web site is to better serve GSA business lines and the needs of GSA customers. The redesigned site simplifies navigation so that it is more intuitive and permits the cross-referencing of offerings and information that span more than one Service or Office.



#### OCSC PERFORMANCE BY GSA-WIDE GOAL

#### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

PERFORMANCE GOAL	RESULT
Leverage FirstGov technologies and solutions across the Federal Government.	GOAL NOT MET
Help the Federal Government become more citizen-centric by increasing the magnitude, quality, and outreach of Federal information via various channels.	Goal Met

#### **PERFORMANCE GOAL**

Leverage FirstGov technologies and solutions across the Federal government.

#### **MEASURE**

Tax dollars saved as a result of agencies sharing FirstGov technologies.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
N/A	\$9M	\$18M	\$30.6M	\$19.8M

**DESCRIPTION OF THE MEASURE:** The current FirstGov.gov Web infrastructure can handle multiple users of its search engine and hosting solution. The current Web infrastructure also makes available certain software licensing agreements owned by FirstGov.gov.

Marketing research conducted in 2003 on the cost of running search operations (software, hardware, and resources) was used as a basis for projecting Tax Dollars saved for participants in the Web solutions. While some savings continue to exist for GSA's hosting customers, the greatest portion of savings has been tied to Federal Web sites using a standardized, free access to the FirstGov search index. As the search market has evolved, several agencies have chosen to purchase search engines to enable customization to their agency's needs and have ceased using the FirstGov index, thereby reducing the economies of scale reported. Recent surveys also indicate that there are other free alternatives for search available from commercial sources, rendering the savings in tax dollars less relevant. As OCSC moves into FY 2005, FirstGov will focus its resources on improving the relevancy of search results for citizens and adding features to make the service more beneficial. FirstGov will continue to provide information to citizens that is relevant to their needs, through site categorization or search, and will continue to make the search index available as an option for sites that do not have a search function.



Calculations for the hosting portion of the measure are based on vendor estimates for the normal cost of a hosting arrangement. These were used to project the cost for small, medium, or large implementations. OCSC assumed the need for redundant environments for Web servers, application servers, and database servers, similar to the FirstGov environment. Each customer was categorized relative to the size of the implementation, and the typical cost calculated. OCSC then compared the costs that OCSC is able to pass on to users to those estimates to calculate the savings.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The target was not met. During the year, significant efforts were made to update the quality of search results, improve capacity planning, and support internal infrastructure activities related to search. OCSC was limited in its ability to add affiliates due to projects involving technical improvements and a content management implementation. OCSC is communicating the search upgrade to Federal agencies and working with many to add their sites to the free search service. However, the number of affiliates can be expected to fluctuate as large agencies either enter or leave the program depending on their customization needs. OCSC's focus will remain on improving the quality of the search index, providing best practices suggestions to citizens and affiliates, and measuring increased traffic and citizen satisfaction.

#### **PERFORMANCE GOAL**

Help the Federal government become more citizen-centric by increasing the magnitude, quality, and outreach of Federal information via various channels.

#### **MEASURE**

Total number of multi-channel contacts with the public (citizen, business, government) per year.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
40.8M	59.1M	209.7M	224.9M	241.9M

**DESCRIPTION OF THE MEASURE:** The FCIC of OCSC operates a variety of information channels to provide information to the public in the method of their choice. The number of multi-channel contacts with the public consists of 1) page view totals for FirstGov.gov and four other OCS Web sites, 2) the total toll free calls handled by the NCC, 3) e-mail inquiries processed at NCC received from a variety of sources, 4) printed publications ordered from the distribution facility in Pueblo, CO, and 5) the total of subscription e-mail letters distributed.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The target was met. As noted, the FCIC operates a variety of information channels to provide information to the public in the method of their choice. Each of these channels experiences growth or contraction for a variety of reasons, many of which have to do with personal choices the public makes and are difficult to project.

The estimate for growth on the FirstGov.gov Web site was low while the estimate for the other four Web sites appears to be very accurate. FirstGov.gov is a relatively new Web site and has received a lot of public promotion during the last year, which has greatly contributed to its public usage. New information has been added, improvements have been made to the usability of the site and additionally, a new Spanish language version was opened to the public last October. New content sections have been added for seniors and parents. Significant improvements have been made to the searching infrastructure to improve the quality of responses to citizen search queries. New functionality has been

OCSC

added to the FirstGov.gov Web site, such as "Email a Web Page to a Friend." There has also been a significant increase in the number of Web sites linking to FirstGov.gov; the current total is 209,000. All of these improvements have contributed to the continued strong growth of FirstGov.gov.

The other Web sites are mature and have established audiences and less public visibility. Their usage rates have climbed but at a much slower pace than the FirstGov.gov site.

Toll-free telephone calls increased significantly above OCSC projection because of the reimbursable work that FCIC is doing for the National Passport Information Center (NPIC). FCIC is providing a managed telecommunications solution to the newly established NPIC and is providing enhanced Interactive Voice Response (IVR) support to all calls received by the facility. This was the first job of this type that FCIC has implemented and OCSC's original estimates (and Passport's) of activity were too low.

OCSC's estimates of e-mail activity were somewhat optimistic. It anticipated higher usage rates by visitors to FirstGov.gov and a more rapid development of partnerships with agencies so that OCSC might handle their misdirected and/or basic e-mail. OCSC has met all of its goals in establishing partnerships with agencies, but so far, the volume of e-mails resulting from these agreements has not grown as quickly as it had projected.

The distribution of printed publications is a mature FCIC channel and has been trending downward as the public turns increasingly to the Internet as a supplier of choice. However, a sizeable number of citizens do not have Internet access or prefer printed materials and continue to place orders for publications.



#### OFFICE OF THE CHIEF PEOPLE OFFICER

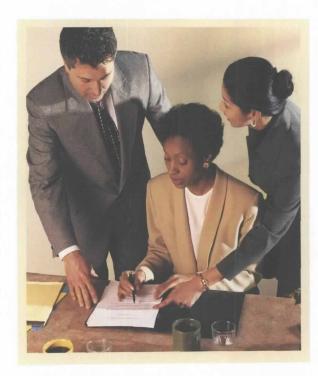
**OCPO** strives to develop and deliver human capital programs, policies, and services that promote GSA's strategic management of human capital in order to enhance GSA's capability to achieve its mission, strategic goals, and performance outcomes.

Utilizing the framework of GSA's PMP, OCPO refined its long-term outcome goal to link itself more closely with the business of its customers. In FY 2004, OCPO reorganized its Central Office to separate its human capital management (strategy and policy) activities from human resources services. The new Office of Human Capital Management now brings dedicated resources to human capital strategic planning, workforce analysis and forecasting, and policy development. The Office of Human Resources Services manages national and local service delivery to GSA organizations and associates.



The paragraphs below summarize the FY 2004 major performance results of OCPO by program.

HUMAN CAPITAL MANAGEMENT: At the strategic level, OCPO worked closely with its eight largest internal customers and within OCPO itself to develop organization-specific human capital strategies. This "deep dive" into the human capital needs of each organization focused on the capabilities needed to achieve business goals, the maturity of those capabilities in their existing workforces, and specific strategies to transform each workforce from one stage to another. Strategies include assessing and enhancing the skills of associates, hiring new talent, organizational realignment, succession planning, and competitive sourcing. In support of realignment and competitive sourcing initiatives, OCPO continued to assist its customers in the utilization of workforce-shaping tools such as VSIP (Voluntary Separation Incentive Payment) and VERA (Voluntary Early Retirement Authority).



At the policy and program level, OCPO revised GSA's associate performance management and awards policies to more closely align with, and to reinforce the Agency's business goals and strategies. The new APPAS is a significant departure from the previous "pass/fail" system; it is designed to make meaningful distinctions among levels of performance based on organizational and individual objectives. Classroom training was provided to all managers and supervisors. Other associates learned about the new system through GSA On-Line University and through ongoing classroom instruction.

HUMAN RESOURCES SERVICES: Enhancing GSA's success in recruiting and hiring "the right person for the right job" was a major initiative for FY 2004. The OCPO human resources service community consistently strove to meet or improve on its 45-day "Time to Fill" target, and worked with selecting officials to fine-tune the questions used in GSAjobs to identify the most promising applicants. GSA's recruitment brand, "You Can Do That Here," even won the much-

OCPO

coveted Bronze Telly Award, founded in 1980 to showcase and recognize outstanding non-network commercials, film, and video productions.

**BUSINESS PROCESS IMPROVEMENTS:** At the same time that OCPO was looking outward towards its customers, it also took an intense look inward at its own capabilities for achieving future success. In addition to developing its own human capital strategy, it began a multi-year effort to

examine, map, and re-engineer its own business processes, with an eye towards greater efficiency and standardization. This effort was linked to the "One GSA Enterprise Architecture" initiative led by the GSA OCIO. It was also linked to the PMA eGov initiative "HR Line of Business" led by OPM and OMB. Business process re-engineering will help position OCPO to continue its successful leadership of GSA human capital management.

#### OCPO PERFORMANCE BY GSA-WIDE GOAL

#### GSA-WIDE GOAL 5: MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE

PERFORMANCE GOAL	RESULT
Increase GSA associate engagement.	GOAL NOT MET

#### PERFORMANCE GOAL

Increase GSA associate engagement.

#### MEASURE

Percentile rank in the Gallup Q12 Survey, which measures the engagement of the workforce. (Grand mean score also included)

FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 TARGET	FY 2004 ACTUAL
N/A	67th percentile	75th percentile	75th percentile	69th percentile
N/A	3.76	3.83	3.88	3.89

**DESCRIPTION OF THE MEASURE:** The Gallup Q12 Survey of Associate Engagement is administered annually to all GSA associates. The grand mean score measures overall engagement or productivity at each organizational level, and discriminates top-performing workplaces from average and low-performing ones. A higher grand mean score is an indicator of a higher-performing organization. Each of the Q12 items is actionable and tangible steps can be taken to increase scores. This is one of the most important qualities of the Q12 program.

In previous years GSA's goal was to rank in the 75th percentile of the organizations that Gallup surveys, because this distinguishes an organization as "world-class." However, because each year Gallup's sample changes and the standard to meet the 75th percentile changes, it is difficult for GSA to use the measure in a meaningful way. Therefore, beginning in FY 2005, GSA will be measuring its progress against its past performance. GSA has included its grand mean score this year for comparative purposes.



**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The target was not met. GSA implemented the annual Q12 Survey of Associate Engagement Agency-wide in FY 2002. Although GSA's grand mean score increased by .06 over FY 2003, the percentile ranking decreased by six percent due to factors GSA has no control over. Therefore, in FY 2005 GSA is changing its measure to compare its current performance to its past performance. GSA's new goal is to increase its grand mean score .05 points per year.

The Agency will continue to promote consistent and effective performance across GSA by employing the following strategies:

- Pursue a combined top-down and bottom-up strategy that will marry senior leadership commitment to drive associate engagement within each team, with training and support throughout GSA at the work-group level.
- Identify common issues and improvement opportunities across GSA for increased engagement and improved performance through leveraging the efforts of individual work teams.
- Support frequent sharing of best practices by studying GSA's best-scoring organizations.
- Further investigate the link between improving Q12 scores and performance outcomes.
- Provide support to GSA's Q12 trainers and ensure that all managers are trained.

### **OCFO**

### OFFICE OF THE CHIEF FINANCIAL OFFICER

The OCFO is responsible for financial management within GSA. The OCFO develops overall agency policies and procedures for budget administration, planning and performance measurement, financial reporting, and financial management systems. Some of the most important policies include those for cash and credit management. An overall summary of the accomplishments of OCFO is presented in the OCFO's letter.



### OCFO PERFORMANCE BY GSA-WIDE GOAL

### **GSA-WIDE GOAL 4: ENSURE FINANCIAL ACCOUNTABILITY**

PERFORMANCE GOAL	RESULT
Increase the percentage of vendor invoices received electronically by Electronic Data Interchange through the Internet.	Goal Met
Increase the percentage of vendor payments by electronic media such as Electronic Funds Transfer and purchase card.	GOAL MET



### **PERFORMANCE GOAL**

Increase the percentage of vendor invoices received electronically by Electronic Data Interchange (EDI) through the Internet.

#### MEASURE

Percent of vendor invoices received electronically.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
24%	38%	44%	50%	56%

**DESCRIPTION OF THE MEASURE:** By placing clauses in GSA contracts and orders, OCFO is encouraging electronic invoices via the Internet. GSA encourages vendors to use EDI because it improves productivity and increases efficiency.

**DISCUSSION OF FY 2004 TARGET VS. RESULTS:** The target was met. At year-end 56 percent of GSA's invoices were received electronically. OCFO has continued to market Internet invoicing to vendors at conferences and GSA EXPO. OCFO also informs vendors of this option when they call its offices. OCFO continues to encourage Contracting Officers to make electronic invoicing a requirement in new contracts.

### PERFORMANCE GOAL

Increase the percentage of vendor payments by electronic media such as Electronic Funds Transfer (EFT) and purchase card.

### MEASURE

Percent of vendor payments paid electronically.

FY 2001	FY 2002	FY 2003	FY 2004	FY 2004
ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL
79%	79%	88%	85%	92%

**DESCRIPTION OF THE MEASURE:** Encourage use of EFT by emphasizing the use of purchase cards to procurement officials when a purchase is less than \$100,000.

of 85 percent. OCFO continues to work with vendors to sign them up for EFT payments. Initiative has been taken to inform both the Service Office associates and vendors regarding the requirements for vendors to register in the CCR (Central Contractor Registration). Upon receipt of a request to establish new vendor numbers, if the vendor's banking information is not included in the request, the OCFO returns it along with a letter of explanation of the CCR registration.

### OSBU

### OFFICE OF SMALL BUSINESS UTILIZATION

The OSBU is GSA's advocate for small, minority, veteran, HUBZone, and women business owners. OSBU promotes increased access to GSA's nationwide procurement opportunities by nurturing entrepreneurial opportunities, outreach, and training.

OSBU supports small business activities throughout the country with its Small Business Utilization Centers in 11 regional offices. In addition there are Small Business Technical Advisors in the FSS, the FTS and the PBS as well as GSA Central Office.



The paragraphs below provide examples of FY 2004 major performance results for OSBU.

MODERNIZATION OF FEDERAL BUILDING IN PITTSBURGH, PA:
GSA Mid-Atlantic Region awarded a \$53.8 million contract

to the small business firm, Burchick Construction Company Inc of Pittsburgh, Pennsylvania. The firm will be responsible for the modernization of the William S. Moorhead Federal Building in downtown Pittsburgh. Built in 1964, the 27-floor facility is home to 47 Federal agencies and more than 2,500 occupants. The modernization includes an overhaul of the HVAC (heating, ventilation/air conditioning) system, upgrade of the electrical and fire alarm systems, asbestos abatement, plumbing and handicapped accessibility improvements, and renovations to the offices throughout the facility. Construction completion is scheduled for October 2008.

**DEPARTMENT OF DEFENSE IT EQUIPMENT:** NCS Technologies, Inc. is a small disadvantaged business located in Sterling, VA. As a GSA IT Schedule contractor, NCS Technologies received an order from DOD in the amount of \$4.9 million for 5,843 personal computers.



OFFICE FURNITURE FOR MULTIPLE FEDERAL AGENCIES: The FSS National Furniture Center conducted an 8(a) ID/IQ (Indefinite Delivery/Indefinite Quantity) set-aside for the procurement of contemporary and traditional steel office furniture. The award to three 8(a) contractors was originally made in November 2002. The estimated value of these contracts is in excess of \$20 million for a five-year period. During FY 2004, there has been great success with these three contractors as Federal agencies continue to make purchases against these contracts. Many of the National Furniture Center customers prefer to purchase from a special order program ID/IQ contract because of the ease of ordering by national stock number.



### OSBU PERFORMANCE BY GSA-WIDE GOAL

## GSA-WIDE GOAL 6: CARRY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL GOVERNMENT AGENCY

PERFORMANCE GOAL	RESULT
MEET OR EXCEED THE GOAL OF PROVIDING CONTRACTING OPPORTUNITIES TO SMALL BUSINESSES.	TBD

### **PERFORMANCE GOAL**

Meet or exceed the goal of providing contracting opportunities to small businesses.

#### **MEASURE**

Percentage of contracting opportunities provided to small business.

FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 TARGET	FY 2004 ACTUAL
		45.72%	43%	TBD <sup>1</sup>
40.1%	44.35%	43.7270	1,370	155

Note that the FY 2004 results cannot become final until certified by the Small Business Administration (SBA) in approximately April 2005.

**DESCRIPTION OF THE MEASURE:** The OSBU serves as GSA's advocate for small, minority, veteran, HUBZone, and women business owners. Its mission is to promote increased access to GSA's nationwide procurement opportunities. The SBA provides specific targets for the key elements of the overall small business utilization goal, including Small Disadvantaged Business, Section 8(a), Woman-owned Business, Service Disabled Veteran-owned Business, and HUBZone. The annual target represents the consolidation of these targets. This measure reflects overall program performance. It is the only measure counted in the determination of whether GSA meets the GSA-wide goal. All data is preliminary for FY 2004 and subject to verification within GSA as well as by the SBA.

preliminary data. The OSBU has worked diligently to secure senior staff (Central Office and Regional) commitment to achievement by promoting OSBU's vision and providing updates on progress in meeting or exceeding the small business goal. In addition, individual OSBU associates are assigned responsibility for the performance of each Service in achieving the goals of the small business program. OSBU provides timely information on small business program activities (policy and regulatory) to the Regions and Services. OSBU participates in numerous outreach activities that make it possible for the small business community to meet key contracting experts and be counseled on the procurement process. This includes procurement networking sessions, marketing strategies and techniques workshops, procurement conferences, and training workshops for potential FSS contractors.

## **Financial Section**

### GSA HISTORIC HIGHLIGHTS

Created the Office of Federal Management Policy when GSA was asked to take a greater policy-making role.

1978 Centralized the Federal government's procurement policy in the Office of Acquisition Policy.

1970

1980

Started the Federal Buildings Fund (FBF) as a revolving fund to construct, maintain, operate, and renovate Federal buildings. Revenues deposited into the fund come from the rental income paid to GSA by other Federal tenants.

Established the Automated Data and Telecommunications Service. This operation evolved into the Federal Technology Service.

1984 Introduced the Federal government to charge cards.

Transferred emergency management functions to the Federal Emergency Management Agency.

Began to provide governmentwide policy oversight and guidance for Federal real property management as a result of an Executive Order signed by President Reagan.

### **CFO MISSION STATEMENT**

Provide world-class financial
management services, professional
guidance, and innovative solutions
to our customers.

### LETTER FROM THE CHIEF FINANCIAL OFFICER

am pleased to present the General Services Administration's fiscal year (FY) 2004 financial statements. GSA received its 17th consecutive unqualified opinion on our FY 2004 financial statements, which attests to the fact that our financial statements are fairly presented and demonstrates our integration of performance and accountability.



The financial auditors, PricewaterhouseCoopers LLP (PwC), during the performance of the GSA FY 2003 Financial Statements audit found material weaknesses related to reconciliation issues occurring with the implementation of our financial system. The auditors recommended instituting and documenting effective reconciliation controls and corrective action plans. In direct response to the findings, GSA Office of the Chief Financial Officer (OCFO) created an action plan to correct the material weaknesses related to reconciliations of open items and fund balance with Treasury to the general ledger. Management has implemented a series of reconciliation controls to ensure accounts are reconciled monthly and appropriate supervisory review has occurred. Overall, the material weakness action plans have been successfully executed by all parties involved, and we have successfully eliminated/ reduced all material weaknesses as noted by PwC. However, OCFO recognizes that there is more work to be done with respect to management controls associated with our financial statements.

During FY 2004, GSA received its first Certificate of Excellence in Accountability Reporting (CEAR) award from the Association of Government Accountants, confirming our

dedication to enhance performance and better meet the needs of our customers. PAR improvement initiatives undertaken by the GSA OCFO and the GSA business lines were contributing factors to this year's success. I am very proud of the OCFO staff in meeting the accelerated reporting dates while maintaining our reputation for integrity and reliability in our accounting information.

During FY 2004, control reviews discovered violations of the Anti-Deficiency Act, which are noted in the Management Controls section of the MD&A. Ensuring that violations do not occur in the year ahead is a top priority of our agency.

The GSA OCFO continues to provide full-service corporate financial management for all GSA and more than 40 external customers. OCFO directly supports the overall GSA mission of helping Federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services, and management policies by providing transparent financial management services so the three major business lines can focus on delivery of their core goods and services. During FY 2004, the OCFO associates took on additional management challenges and changes to improve our performance and accountability. On the next page, you will find highlights of our performance improvement initiatives.

Howlen M. June

Kathleen M. Turco Chief Financial Officer

November 15, 2004

# OFFICE OF THE CHIEF FINANCIAL OFFICER ACCOMPLISHMENTS AT A GLANCE



During FY 2004, the OCFO associates took on additional management challenges and changes to improve their performance and accountability.

### PERFORMANCE MANAGEMENT PROCESS

Performance Management Process (PMP) for GSA. Through the PMP, OCFO analyzes customer and taxpayer requirements, established performance goals based upon those requirements, develop action plans, and then allocate resources. This detailed financial, budgetary, and performance data provides managers with a solid foundation on which to base day-to-day management decisions. The continual PMP cycle unites the GSA Strategic Plan, the PMA, the Program Assessment Rating Tool (PART), Business Line/Program Area Performance Goals and Measures and other management tools. The PMP fully supports the Government Performance and Results Act (GPRA) and is ensuring that GSA is well positioned to achieve a successful future.

### PERFORMANCE MANAGEMENT TOOL (PMT) AND MEASURES

In the two years since the GSA PMT debuted, the organization has moved to the forefront of Federal organizations seeking to connect a well-articulated strategy and precise execution of daily activities and performance metrics. GSA has been recognized by Intelligent Enterprise Magazine, the International Institute for Business Technology, and others for implementing one of the most comprehensive enterprise-wide performance measurement tools in the public sector. In FY 2004, the upgraded PMT tool was unveiled increasing enhancements and usability establishing an integrated framework for building operational performance management solutions throughout GSA.

### INTERNAL CONTROLS AND AUDIT FOLLOW-UP

In FY 2004, GSA changed the method by which it requests Assurance Statements. In previous years, the process was

paper driven, with limited input from offices below the Head of Service and Staff Office's (HSSO)/Regional Administrator's office level. Also, previous years' Assurance Statements contained only a brief statement on management controls, with little supporting documentation or detail on the effectiveness of controls within the organization. For the FY 2004 process, GSA developed a new Assurance Statement questionnaire based on OMB and GAO management control standards. The questionnaire contained specific questions on controls for the organizations and requested that details and narratives be provided. Managers within each organization and region were asked to complete their own Assurance Statement questionnaire along with a management controls checklist (the checklist was developed and utilized as a selfassessment tool to ensure managers had supporting documentation for their Assurance Statement). Responses were consolidated into individual HSSO/RA Assurance Statements and sent to the MCOC for analysis and review.

### PROGRAM MANAGEMENT OFFICE

Following the PMA challenge of sound financial management, GSA responded by establishing an Agency-wide PMP for executive leadership to collectively set budgetary priorities, develop performance measures associated with those priorities, and carry out action plans required for implementation. This has further galvanized GSA's commitment to the PART, which has reinforced its efforts to link budget to performance, set ambitious goals, and improve its efficiency measures. By the end of FY 2005, 12 out of 20 programs, or 84 percent of GSA's program dollars, will have gone through a rigorous analysis using the PART methodology. Use of the PART tool forces GSA to continually improve results and is a constant challenge to the status quo.

#### **PEGASYS 5.1 UPGRADE**

Pegasys became GSA's official accounting system of record on October 1, 2002. Among many modern features that this COTS solution provides GSA, the functionality of the new USSGL addresses external reporting requirements and assists in the consolidated Federal financial statements. Pegasys was upgraded to version 5.1 in April 2004.

The upgrade allowed GSA to advance to the software version, which is compliant with the most recent Federal legislative requirements and holds the most current JFMIP certification. The upgrade also allows GSA to utilize numerous enhancements that have been made to the software, including automation in the area of external reporting.

#### **FISMA REVIEWS**

The large number of complex information systems and the speed with which information flows today presents great challenges for developing and coordinating programs to manage those vulnerabilities, while also disseminating the appropriate information to those who need it. Successful management requires strong information sharing, communication, and coordination capabilities. Keeping their focus on assuring security for its customers against any potential threats, the OCFO Central Office technical support staff has received excellent reports for both the 2004 PwC penetration testing and the OCIO's "CFO-Q4 FY 2004 Internal Scanning." These FISMA reviews and plans of action and milestones (POA&M) update processes have matured year after year becoming more empirical based and focusing on system and program performance measures.

### PAYROLL AND STATEMENT ON AUDITING STANDARDS (SAS) 70

GSA converted two additional payroll clients this year bringing the number of payroll clients to 33. As OMB continues to lead the Line-of-Business initiative and further reduce the number of payroll service providers, GSA is determining how best to compete in this arena. As a service to its payroll customers and because their financial statements must be reviewed and/or audited, GSA has undertaken for the first time a controls audit in accordance with Statement on Auditing Standards (SAS) #70, Service Organizations.

### INTRAGOVERNMENTAL TRANSACTIONS

The inability of the government to properly account for the processing and recording of intragovernmental transactions impedes the achievement of receiving a clean opinion on the Governmentwide Consolidated Financial Statements. GSA has taken several steps to resolve this weakness. In FY 2004, GSA is participating in the Intragovernmental Transaction Exchange (IGTE) project in an effort to standardize the exchange process for RENT data between pilot agencies. Results of the pilot were shared and discussed with the OMB. More recently, GSA has initiated dialogue with its trading partners regarding the difference in revenue, expenses, accounts payable, and accounts receivable. These efforts will improve the data contained in Treasury's Intragovernmental Reporting and Analysis System (IRAS). These actions are the first steps in correcting and resolving differences on intragovernmental transactions reported by the various Federal agencies.

#### **FIVE-YEAR PLAN**

The OCFO has made substantial progress during FY 2004 towards its four goals laid out in the five-year plan. With the leadership provided by the OCFO the following objectives were met towards these goals. GSA has completed the first full cycle of the PMP. GSA has received its 17th consecutive clean audit opinion. OCFO successfully implemented a major upgrade to its core financial system. OCFO has initiated a series of studies to assess its human capital needs, to include a skills gap analysis, succession planning, and mission critical occupations.

November 15, 2004

MEMORANDUM FOR STEPHEN A. PERRY

ADMINISTRATOR (A)

KATHLEEN M. TURCO

CHIEF FINANCIAL OFFICER (B)

FROM:

DANIEL R. LEVINSON Daniel R. Levinson

INSPECTOR GENERAL (1)

SUBJECT:

Audit of the General Services Administration's Fiscal Years 2004 and 2003 Financial Statements

his memorandum transmits PricewaterhouseCoopers LLP's (PwC) report on its Fiscal Years 2004 and 2003 Financial Statement Audit of the General Services Administration (GSA), and the Office of Inspector General's (OIG) report on internal controls over performance measures.

### Results of Independent Audit

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires GSA's Inspector General or an independent external auditor, as determined by the Inspector General, to audit the Agency's financial statements. Under a contract monitored by the OIG, PwC, an independent public accounting firm, performed the Fiscal Years 2004 and 2003 Financial Statement Audit of GSA. The contract required that the audits be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States, and the Office of Management and Budget's (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements," as amended.

PwC issued unqualified opinions on GSA's Fiscal Years 2004 and 2003 consolidated and combined financial statements and the financial statements of individual funds (Federal

Buildings Fund, General Supply Fund, and the Information Technology Fund). In its opinion, GSA's financial statements presented fairly, in all material respects, the financial position of GSA, and these funds, and their net cost of operations, changes in net position, budgetary resources, and financing for the years ending September 30, 2004 and 2003.

However, in its consideration of GSA's internal controls over financial reporting, PwC identified six reportable conditions concerning GSA's need to (1) improve development, implementation, and change controls over GSA's financial applications, (2) strengthen the Federal Supply Service's application security controls, (3) improve controls over transferring substantially complete construction in process projects within the Public Buildings Service, (4) improve contracting practices in the Federal Technology Service's (FTS) Office of Information Technology (IT) Solutions, (5) develop and implement policies and procedures to reconcile intragovernmental activity and balances with its non-fiduciary trading partners, and (6) improve GSA's budgetary reporting process. PwC also reported on four violations of compliance with laws and regulations. One violation concerned instances in which FTS officials breached Government procurement laws and regulations. The remaining three instances of noncompliance were

violations of the Anti-Deficiency Act. These violations included two instances in which the IT Fund was used for non-IT purposes, and one instance in which a temporary cash shortfall occurred in the Working Capital Fund.

### OIG Evaluation of PwC's Audit Performance

To ensure the quality of the audit work performed, we conducted a review of PwC's Fiscal Years 2004 and 2003 Financial Statement Audit of GSA. Specifically, we:

- Reviewed PwC's approach and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Reviewed PwC's audit report;
- Examined audit documentation related to assessing internal controls over GSA's financial reporting process and GSA's Information Technology systems; and
- Performed other procedures we deemed necessary.

PwC is responsible for the attached auditor's report dated November 12, 2004 and the conclusions expressed therein. We do not express an opinion on GSA's financial statements or internal controls or on whether GSA's financial management systems substantially complied with the Federal Financial Management Improvement Act (FFMIA); or conclusions on compliance with laws and regulations.

### Report on Internal Controls Over Performance Measures

In accordance with OMB Bulletin No. 01-02, the OIG performed the necessary audit procedures to obtain an understanding of the design and operation of internal controls over the reliability of data supporting the performance measures reported in the Management Discussion and Analysis section of GSA's Fiscal Year 2004 Annual Performance and Accountability Report. review found that these internal controls as designed by the Office of the Chief Financial Officer (OCFO) are operating effectively. Last year, we identified a reportable condition regarding GSA's need to fully implement a plan to review the performance measure data for all Services and Staff Offices on a rotational basis. This year we found that the OCFO has taken significant steps to fully implement this plan. These included reviewing the performance data for GSA's major Staff Offices, preparing a soon to be enacted GSA Order identifying the policies, procedures, and responsibilities for the implementation of GSA's performance measurement data verification and validation process, and hiring a consultant to review the process used by the CFO to verify and validate performance measures, and make recommendations for improvement. As a result of these actions, we consider the reportable condition to be resolved.

The Office of Inspector General appreciates the courtesies and cooperation extended to PwC and to our audit staff during the audit and review. If you or your staff have any questions, please contact me or Eugene L. Waszily, Assistant Inspector General for Auditing.

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### REPORT OF INDEPENDENT AUDITORS

To Mr. Daniel R. Levinson Inspector General of the United States General Services Administration

In our audits of the United States General Services Administration (GSA) and its three primary revolving funds, the Federal Buildings Fund (the FBF), the General Supply Fund (the GSF), and the Information Technology Fund (the ITF), we found:

- The consolidated balance sheets of GSA and individual balance sheets of the FBF, the GSF, and the ITF as
  of September 30, 2004 and 2003, and the related consolidated and individual statements of net cost, of
  changes in net position and of financing, and the combined and individual statements of budgetary resources
  for the years then ended are presented fairly, in all material respects, in conformity with accounting
  principles generally accepted in the United States of America;
- GSA, the FBF, the GSF, and the ITF had no material weaknesses in internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations.
- Reportable instances of non-compliance with the laws and regulations we tested specified in OMB Bulletin No. 01-02.

The following sections present each of these conclusions in more detail.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of GSA and individual balance sheets of the FBF, the GSF, and the ITF as of September 30, 2004 and 2003, and the related consolidated and individual statements of net cost, of changes in net position and of financing, and the combined and individual statements of budgetary resources for the years then ended. These financial statements are the responsibility of GSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, except for the provisions of paragraph 6.f. relating to internal

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control over performance measures, Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. The work required by paragraph 6.f. was performed by the GSA Office of Inspector General, and the objective of that work was to gain an understanding of and report deficiencies in the design of internal control over performance measures, rather than to plan the financial statement audit. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of GSA, the FBF, the GSF, and the ITF at September 30, 2004 and 2003, and their net cost of operations, changes in net position, budgetary resources and financing for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Report on Internal Control**

In planning and performing our audit, we considered GSA's, the FBF's, the GSF's, and the ITF's internal control over financial reporting by obtaining an understanding of their internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated and individual financial statements and not to provide an opinion on the internal controls. We limited our control testing to those controls necessary to achieve the following OMB control objectives that provide reasonable, but not absolute assurance, that: (1) transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated and individual financial statements in accordance with accounting principles generally accepted in the United States of America, and to safeguard assets against loss from unauthorized acquisition, use, or disposition and (2) transactions are executed in compliance with laws governing the use of budget authority, other laws and regulations that could have a direct and material effect on the consolidated financial statements and any other laws, regulations, and government-wide policies identified in Appendix C of OMB Bulletin No. 01-02. We did not test all internal controls relevant to the operating objectives broadly defined by the Federal Managers' Financial Integrity Act of 1982. Our purpose was not to provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. Under standards issued by the American Institute of Certified Public Accountants (AICPA) and OMB, reportable conditions are matters coming to our attention, that in our judgment, should be communicated because they represent significant deficiencies in the design or operation of the internal control that could adversely affect GSA's, the FBF's, the GSF's, and the ITF's ability to meet the internal control objectives related to the reliability of financial reporting and compliance with laws and regulations previously noted. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors, fraud or noncompliance in amounts that would be material in relation to the consolidated and combined

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financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted certain matters, discussed in the following paragraphs, involving the internal control and its operation that we consider to be reportable conditions. However, none of the reportable conditions is believed to be a material weakness.

## Development, implementation and change controls over GSA's financial applications continue to need improvement

Since FY 1999, GSA had a reportable condition regarding the need to improve development, implementation and change controls over its financial applications. During FY 2004, GSA made progress in addressing the issues raised in prior years. Specifically, the GSA Chief Information Officer (CIO) issued the Order, "GSA System Development Life Cycle (SDLC)," CIO P 2140.2 on April 20, 2004. The Office of the Chief Financial Officer (CFO) and the individual services have also taken action in this area, including the following:

#### (CFO)

- A Software Development Life Cycle (SDLC) methodology is now in place for NEAR.
- The Fort Worth Data Center has implemented formal SDLC practices pertaining to VITAP.
- The Beltsville Data Center has implemented formal policies and procedures regarding test plans.

#### (FTS)

Formal practices have been developed regarding change requests pertaining to TOPS.

### (PBS)

Formal practices have been developed regarding change requests pertaining to IRIS.

The efforts noted above have enhanced the development, implementation and change controls relative to future development and implementation efforts. However, as part of our current year testing of application controls over Pegasys, STAR, FEDPAY, and FMS, follow-up on prior year issues, and limited testing of the GSA Preferred (GSAP) initial implementation, we noted a number of issues that indicate development, implementation, and change control procedures continue to need improvement. For example:

- 1. Systems development life cycle policies and procedures need to be implemented (CIO).
- Change control policies, procedures and practices need to be strengthened for Pegasys (CFO), FMS (FSS), and STAR (PBS).
- 3. Programmer and security administrator access to production code and data needs to be restricted (FSS).
- FSS does not follow a formalized systems development life cycle methodology, or have documented change control procedures.
- 5. Formal documented policies and procedures for authorization, testing and approval of system software before implementation do not exist for the personnel supporting the FSS-19 application (FSS).



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6. Formal emergency change control procedures have not been developed for TOPS (FTS).

In addition, our limited testing and inquiries regarding the initial implementation of GSA Preferred (GSAP) by FTS noted the following development and implementation weaknesses already identified by GSA and FTS management:

- Incorrect data migration and conversion.
- Errors surrounding interfaces.
- Weak system controls and edit checks.
- Limited testing of transactions prior to going live with the system.
- · Weak system controls within the iPro module.
- The GSAP application was not fully functional at the "go live" date.

GSA's system environment remains threatened by a lack of consistent development, implementation and change controls. Inadequate or inconsistent system development, implementation and change controls can lead to wasted resources, unauthorized changes to applications, projects that fail to meet business needs, system security weaknesses and inadequately controlled financial systems.

#### Recommendation

GSA management should strengthen development, implementation and change control policies and procedures and implement those procedures on all current and future financial applications.

### FSS needs to strengthen application security controls

In performing our FY 2004 audit, we tested application controls over the FSS Fleet Management System (FMS), and performed follow-up testing of prior year FMS, FSS-19 and GSA *Advantage!* findings and recommendations. Based on our testing, we noted a number of security-related weaknesses related to FSS financial management applications that, when taken together, constitute a reportable condition for FSS. Specifically, weaknesses in the following areas were either identified in the current year, or remain unresolved from prior years.

- 1. Segregation of FMS user, programmer and security administrator duties
  - FMS users were granted incompatible privileges and security administration privileges. Users with conflicting access rights can modify vendor files, approve payments, modify and/or authorize maintenance and repairs, and administer security.
  - FMS programmers have access to make changes to the application, and FMS security administrators have update access to the application.
- 2. Application audit trails and monitoring
  - Audit trails are not maintained for the FMS application.



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- 3. Documentation and approval of user access
  - Access request forms are not required or maintained for the FSS-19 or FSS On-Line applications.
  - · Authentication is not required before resetting FMS user passwords.
- 4. Application password controls
  - Controls over FSS-19 administrator passwords need to be strengthened.
- 5. Completeness of application system security plan
  - The FMS application security plan has several missing topics.

These weaknesses expose FSS's financial management systems and resources to significant risk of unauthorized access to data and programs, which could lead to intentional or unintentional modification, destruction or falsification of financial data or transactions. Particularly, the combination of risks noted in items 1 and 2 above mean that users have the capability to process unauthorized transactions and updates without being detected.

#### Recommendation

FSS management should strengthen application security controls by taking actions to improve:

- 1. Segregation of duty controls over users, programmers and security administrators;
- 2. Application audit trail logging and monitoring;
- 3. Documentation and approval of user access;
- 4. Application password controls; and
- 5. Application security plans.

## PBS Controls over transferring substantially complete construction in process projects continue to need improvement

In FYs 2001, 2002 and 2003 we identified a reportable condition related to PBS not performing timely transfer of construction, major improvement and renovation projects out of the construction in process (CIP) general ledger accounts to the appropriate Property, Plant and Equipment (PP&E) general ledger accounts upon substantial completion. The transfer from the CIP to the appropriate PP&E account is necessary for proper classification of assets in the balance sheet as well as accurate and complete reporting of depreciation expenses. Depreciation on substantially complete CIP projects is not calculated and recorded until the asset is transferred from CIP to the appropriate asset account. During our testing in FY 2004, we noted the following errors which indicated significant weaknesses in the underlying controls.

We reviewed fifteen Basic Repairs & Alterations (Budget Activity PG54) project files at Region 5
(Great Lakes) to ensure that the substantially completed projects were properly transferred from CIP to
the appropriate asset general ledger account in a timely manner. Our testing identified eight (53%)

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- substantially completed CIP projects that were not transferred timely to the proper asset account, or not transferred at all.
- We also reviewed thirteen Basic Repairs & Alterations (Budget Activity PG54) and ten Active
  Construction (Budget Activity PG51 and PG55) project files at Region 10 (Northwest Arctic). Our
  testing identified one PG54, and three PG51 and PG55 (17%) substantially completed CIP projects that
  were not transferred timely to the proper asset account, or not transferred at all.

PBS has responded by implementing mitigating controls to address these findings by performing a statistical sample of the CIP projects to determine the amounts to be reported in the financial statements. PBS records top-side adjustments to the financial statements based on the results of this statistical sample. Although improvements have been noted compared to prior years, the magnitude of errors identified and the amount of the required adjustment continues to indicate that the underlying processes contain significant weaknesses and need improvement. The results of FBF's August 2004 statistical sample indicated that 31% of the CIP projects tested were incorrectly classified as CIP, either because they were substantially complete or did not meet PBS's policy for capitalization and should be expensed. The reasons for these misstatements included regional personnel not entering completion dates into the Inventory Reporting Information System (IRIS), regional personnel not expensing cancelled projects, problems with archived projects, and manual procedures performed by central office personnel not addressing all CIP issues.

Moreover, our sub-sampling of management's sample of CIP projects revealed the following barriers to correction of these business and control processes:

- The classification of projects as CIP or PP&E is difficult and subjective; especially for multi-phased projects which may require the knowledge of an experienced Project Manager or specialist to make a proper determination.
- The terms "substantial completion" and "multi-phased projects" are not clearly defined which resulted in different interpretations for similar projects amongst regions.

When a new CIP project is established, regional personnel are expected to enter all necessary information, including the expected date of completion, into IRIS. This information allows PBS central office personnel to monitor the status of construction projects. Once a project is substantially complete, the project manager should enter the substantial completion date in IRIS to allow for the transferring of the project into the Real Property Accounting Depreciation System (RPADS), which serves as FBF's property subsidiary ledger.

While PBS's implementation of mitigating controls is essential to prepare materially correct financial statements, management's continued reliance on mitigating controls, performing periodic surveys to determine proper classification of CIP and completed assets for financial reporting purposes only, is not effective at detecting and correcting errors in individual transactions and balances. PBS should implement effective preventative controls, as well as effective mitigating controls which detect and correct errors in individual transactions and balances. Maintaining accurate data in IRIS for CIP projects is necessary for PBS to generate accurate financial information on a routine basis.

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#### Recommendation

PBS should enforce its control procedures at the project level, to ensure that individual substantially complete CIP projects are transferred to the appropriate asset account in a timely manner. In addition, PBS needs to continue its efforts to review the definition of "substantial completion" with the regions and ensure that the project managers enter the expected completion date into IRIS at the beginning of the project as well as the substantial completion dates at the end of the project. PBS also needs to implement procedures that require expensing items from CIP when a project is abandoned, cancelled or when the item does not meet the definition of a capital asset.

### Contracting practices at the FTS-IT Solutions continue to need improvement

During FY 2003, FTS management requested the GSA Office of Inspector General (OIG) to include in its Annual Audit Plan the audit of the procurement processes of FTS Client Support Centers (CSCs). The focus of the OIG audit of the CSCs was to determine if procurements were in accordance with the Federal Acquisition Regulations (FAR) and with the terms and conditions of the contract utilized. The audit focused on three of the eleven regional CSCs. Audit work for Regions 4, 6 and 10 was completed by the end of FY 2003. The audit focused on procurements made in FY 2002, however in some cases the projects were followed back to FY 1997 and through to FY 2003. The OIG report was issued on January 8, 2004 to management.

The audit identified numerous improper task orders and contract awards. In making these awards, CSC officials breached Government procurement laws and regulations. Inappropriate contracting practices included:

- improper sole source awards;
- misuse of small business contracts;
- allowing work outside the contract scope;
- · improper order modifications;
- frequent inappropriate use of time and materials task orders; and
- not enforcing contract provisions.

The OIG also found that CSC officials processed procurement transactions for goods and services through the Information Technology Fund (ITF) that were well outside the fund's legislative authorized purposes. The procurement authority of the Information Technology Fund (ITF) is restricted to acquiring information technology equipment, software and related services.

As a result, the procurements did not provide reasonable assurance that the Government received supplies and services at a fair and reasonable price, and the fundamental objectives underlying the federal procurement process were not achieved.

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The audit identified several factors which contributed to the problems, including:

- an inadequate system of internal management controls;
- CSC personnel sacrificing adherence to proper procurement procedures in order to accommodate customer preferences; and
- a culture that emphasized revenue growth.

These factors created an environment that fostered client-driven decisions and inattention to laws and regulations, increasing the program's vulnerability to fraud, waste and abuse. The internal controls that were established were not always effective and did not provide assurance that Government funds were reasonably protected.

FTS management implemented a series of actions and initiatives designed to improve acquisition quality and integrity across the Federal Technology Service. They include:

- · Reiteration of existing FTS policies;
- Strengthening of FTS internal controls;
- Implementation of additional legal review requirements;
- · Development of FTS acquisition improvement action plans;
- Assessment of performance goals and measures; and
- Implementation of acquisition checklists.
- Establishment of a Procurement Management Review program.
- Conducting an independent FTS Management Study of contract and management operations.

The improper use of the IT Fund for non-IT purposes has led to two violations of the Antideficiency Act, 31 U.S.C. § 1341(a). These two violations will be reported to the President and the presiding officers of each House of Congress as required by law. The other instances of misuse of the IT Fund identified in the Audit Report did not result in violations of the Antideficiency Act. Although the IT Fund was used for improper purposes such as construction and the purchase of non-IT supplies and equipment, counsel for GSA has indicated that such violations of the Purpose Act, 31 U.S.C. § 1301(a), do not automatically result in violations of the Antideficiency Act.

The GSA Administrator requested the OIG to perform similar audits of the remaining regions to determine the extent of the FTS contracting issues and the effectiveness of the controls implemented by FTS Management during FY 2004. The OIG audits focussed on task orders for FY 2003 during their audits. They have also performed a limited review of FY 2004 task orders to evaluate the effectiveness of the controls and measures implemented by FTS Management.

These audits have not been finalized, but preliminary results indicate that similar problems were found at the other GSA Regions. The effectiveness of the actions plans could also not be evaluated due to the limited time to implement and evaluate the results.

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#### Recommendation

FTS management should complete their action plans to strengthen the internal control environment to resolve the detailed findings in the OIG report on the Audit of FTS Client Support Centers. Strengthening the internal controls across FTS will help to ensure that the current system will prevent and detect the occurrence of similar problems.

### Reconciliation of intragovernmental balances

GSA's core business is to serve other Federal agencies, resulting in intragovernmental receivables, payables, advances, transfers and the reporting of revenues and costs from intragovernmental transactions. GSA is required by Federal accounting and reporting guidelines to quarterly identify and reconcile intragovernmental balances and transactions with trading partners. This is required in accordance with OMB Bulletin No. 01-09, Form and Content of Agency Financial Statements, and U.S. Department of the Treasury's Federal Intragovernmental Transactions Accounting and Policies Guide. Furthermore, the Treasury Financial Manual, Section 4060, Intragovernmental Activity/Balances, requires reporting agencies to reconcile/confirm intragovernmental activity and balances quarterly for specific reciprocal groupings.

GSA has not reconciled its non-fiduciary intragovernmental activities and balances because they were unable to fully perform reconciliations of intragovernmental activity and balances with their trading partners, for reasons such as (1) trading partners not providing needed data; (2) limitations and incompatibility of agency and trading partner information systems; and (3) lack of human resources.

Reconciling trading partner activity and balances quarterly is necessary to identify material out-of-balance conditions between Federal entities and to support an accurate consolidation of GSA with the government-wide financial statements. The General Accountability Office has reported that Federal agencies' inability to account for these transactions properly is a major impediment to a clean audit opinion on the Consolidated Financial Report on the United States Government.

### Recommendation

GSA's Office of Chief Financial Officer should develop and implement written policies and procedures to quarterly confirm and reconcile non-fiduciary transactions and balances with other Federal entities as prescribed by Treasury guidance. These procedures should include confirming amounts at the fund level and meeting with trading partners to resolve any differences identified.

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### GSA's budgetary reporting processes need improvement

In our testing of GSA's financial management systems and processes used for budgetary reporting we noted significant weakness in the internal controls. The Statement of Budgetary Resources (SBR) preparation process is hindered by inadequacies in GSA's financial management system, subsidiary systems which are not integrated nor configured to support budgetary financial reporting, and significant manual processes required to produce the SBR.

GSA, the FBF, the GSF and the ITF rely on their proprietary accounts to produce the SBR. These account balances are cross walked to the equivalent budgetary accounts to populate the majority of the SBR line items. The remaining line items and detail not produced from the proprietary accounts are obtained from subsidiary systems and through significant manual workarounds and adjustments. GSA does not have a formal policy documenting the process used to produce the SBR. Inefficient monitoring controls have also impacted GSA's ability to produce a complete and accurate SBR. We noted the following deficiencies:

- The ITF initially presented prior year recoveries of \$1.1 billion on the September 30, 2004 SBR. This
  balance included the correction of a misclassification of \$404 million in prior year obligations, created
  by a programming error in one of the Pegasys feeder systems.
- The ITF prior year recovery balance also included an amount of \$341 million, which resulted from the
  deobligation of local and long distance network services' undelivered orders that was overestimated at
  the end of fiscal year 2003. This overestimation occurred due to a lack of formal policy and review by
  management.
- The GSF used the incorrect balance for the undelivered orders line item on the June 30, 2004 SF-133 submitted to Treasury. The undelivered orders balance was derived from the incorrect support resulting in a significant misstatement of the SF-133. This error can be attributed to a lack of a formal documented policy or template setting out the crosswalk of the proprietary accounts, subsidiary systems and manual adjustments to the SF-133. This error was not identified prior to the SF-133 submission because of the lack of management review.
- The SBR can only be prepared after GSA obtains comfort that the proprietary accounts are accurate and complete. As a result, the SBR is prepared close to each quarter end's reporting date due to the time required to prepare the manual workarounds and adjustments. The time constraints increases the risk of possible misstatement on the SF-133 and SBR that are not be detected before the statements are submitted.

Internal control activities as defined in General Accountability Office (GAO) guidance in GAO/AIMD-98-21.3.1 Standards for Internal Control in the Federal Government" are to be effective and efficient in accomplishing the agency's control objectives. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives. Furthermore, OMB A-127, Section 7, Financial Management System Requirements, states that "Financial events shall be recorded by agencies throughout the financial management system applying the requirements of the U.S. Government Standard General Ledger (USSGL) at the transaction level. Application of the USSGL at the transaction level means that the financial management systems will

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process transactions following the definitions and defined uses of the general ledger accounts as described in the USSGL".

We understand that GSA's system of record has the capability to provide budgetary information, however this functionality is not fully utilized. Implementation of information systems capabilities would improve budgetary reporting information to meet Federal accounting and budgetary reporting requirements. However, in the interim, substantial work-around, cumbersome reconciliation processes, and significant adjustments to reconcile subsidiary records to reported balances have been necessary. Additionally, extensive manual procedures and a lack of sufficient monitoring controls increase the risk of error or misstatement on the SBR. Without documented procedures and templates in place, it is difficult for GSA to ensure consistent practices when compiling the SBR.

#### Recommendation

We recommend that GSA Office of Chief Financial Officer:

- Develop and document policies and procedures to prepare and monitor the SBR reporting, which
  include supervisory reviews, analytical procedures, data validation, and ensuring that activities are in
  compliance with the applicable guidance.
- Fully implement the budgetary functionality of the current financial accounting system to ensure recording of activity at the detailed transaction level in accordance with the USSGL.
- Improve its internal quality reviews and maintain evidence of monitoring controls specifically, supervisory reviews on a quarterly basis to ensure compliance with laws and regulations and to validate the presentation of the SBR and the statement of Financing.

### Follow-up on Previous Report

As required by Government Auditing Standards and OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*, we have reviewed the status of the GSA's corrective actions with respect to findings and recommendations from our prior audits. The analysis below provides our assessment of the progress GSA, the FBF, the GSF, and the ITF have made in correcting the reportable conditions identified during our audits. We also provide the year where this condition was last reported, our recommendation for improvement, and the status of the condition as of the end of fiscal year 2004:

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Report	Reportable Condition	Status
	Material Weakness: GSA needs to strengthen its monitoring controls surrounding the financial management system reconciliation of Pegasys to NEAR.	Closed
2003	Recommendation: We recommend that management institute, and document, effective reconciliation controls over account balances in its financial management systems, including completion of the action plans surrounding noted issues. GSA should conduct an assessment of the root causes of the control breakdowns that arose as a consequence of the implementation of Pegasys and develop policies and procedures to ensure that adequate controls are designed and implemented. Further, we recommend that GSA conduct a review of its monitoring controls to provide assurance to management that internal control activities are being performed. These procedures should ensure that senior management is advised of deficiencies in control activities and institutes adequate corrective actions on a timely basis.	
	Reportable Condition: GSA needs to further strengthen network and application security controls.  Recommendation: GSA management should strengthen network and application security controls by taking actions to improve:	
2003	<ul> <li>Application-specific security policies, procedures and automated access controls;</li> <li>Documentation, approval and periodic recertification of user access;</li> <li>Programmer and security administrator access to production code and data;</li> <li>Security monitoring; and</li> <li>Network and server security.</li> </ul>	Partially closed.
2003	Reportable Condition: Development, implementation and change controls over GSA's financial applications continue to need improvement.  Recommendation: GSA management should strengthen development, implementation and change control policies and procedures and implement those procedures on all current and future financial applications.	Open

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Report	Reportable Condition	Status
	Reportable Condition: Controls over transferring substantially complete construction in process projects need improvement.	
2003	Recommendation: PBS should continue to emphasize its control procedures to ensure that substantially complete CIP projects are transferred to the building account and costs not qualifying for capitalization are expensed in a timely manner.	Open
	Reportable Condition: Contracting practices at the Federal Technology Service (FTS) – IT Solutions need improvement.	
2003	Recommendation: FTS management should complete their action plans to strengthen the internal control environment to resolve the detailed findings in the OIG report on the Audit of FTS Client Support Centers. Strengthening the internal controls across FTS will help to ensure that the current system will prevent and detect the occurrence of similar problems.	Open

We also noted other less significant matters involving GSA's, the FBF's, the GSF's, and the ITF's internal controls that we will communicate to management in a separate letter.

### Report on Compliance with Laws and Other Matters

The management of GSA is responsible for compliance with laws and regulations. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect of the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to GSA, the FBF, the GSF and the ITF. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph exclusive of FFMIA disclosed instances of noncompliance with the following laws and regulations or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, which are described below.

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### FTS contracting practices

As discussed above in the reportable condition titled "Contracting practices at FTS – IT Solutions continue to need improvement", the OIG noted instances in which FTS officials breached Government procurement laws and regulations and, on a number of occasions, processed procurement transactions for goods and services through the ITF that were well outside the fund's legislatively authorized purposes.

#### **Anti-deficiency Act Violations**

As discussed above in the reportable condition titled "Contracting practices at FTS – IT Solutions continue to need improvement" and in Note 18 to the financial statements, the OIG has also identified two violations of the Antideficiency Act, 31 U.S.C. § 1341(a). These two violations will be reported to the President and the presiding officers of each House of Congress as required by law.

A violation of the Antideficiency Act also occurred when GSA's Working Capital Fund (WCF) experienced a temporary cash shortfall as of March 31, 2004. The WCF is used to administer the various centralized administrative support services and is funded by reimbursements from the benefiting GSA organizations. These organizations, which obligated the funds, did not transfer cash timely to the WCF due to the late billing by the WCF, which resulted in the cash shortfall.

Under FFMIA, we are required to report whether GSA's, the FBF's, the GSF's and the ITF's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the USSGL at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which GSA's, the FBF's, the GSF's and the ITF's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

### **Other Information**

Our audits were performed for the purpose of expressing opinions on the GSA consolidated and combined, the FBF, the GSF, and the ITF financial statements taken as a whole. The financial statements of Other Funds and the Intra-GSA Eliminations, presented in the consolidating and combining financial statements, are presented for purposes of additional analysis of the GSA consolidated and combined financial statements, rather than to present the financial position, changes in net position, reconciliation of net cost to budgetary resources and budgetary resources of the other funds. Such information has been subjected to the auditing procedures applied in our audits of the GSA consolidated and combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the GSA consolidated and combined financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) are not required parts of the financial statements but are supplementary information required by the Federal Accounting

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Standards Advisory Board and OMB Bulletin No. 01-09, Form and Content of Agency Financial Statements. According to OMB Bulletin No. 01-09, reporting entities shall reconcile intra-governmental asset, liability, and revenue amounts reported in the required supplementary information with their trading partners at least quarterly as of the current fiscal year. GSA has not performed these reconciliations and has disclosed this in note 1.B to the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and RSI. However, we did not audit the information and express no opinion on it.

The other accompanying information included in this performance and accountability report, is presented for purposes of additional analysis and is not a required part of the consolidated and combined, and individual financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated and combined, and individual financial statements and, accordingly, we express no opinion on it.

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This report is intended solely for the information and use of the management and Inspector General of GSA, OMB, the General Accountability Office and Congress and is not intended to be and should not be used by anyone other than these specified parties.

Pricewaterhouse Coopers LLP

November 12, 2004 Washington, DC

November 8, 2004

MEMORANDUM FOR STEPHEN A. PERRY

ADMINISTRATOR (A)

KATHLEEN M. TURCO

CHIEF FINANCIAL OFFICER (B)

FROM:

DANIEL R. LEVINSON Daniel R. Levinson

INSPECTOR GENERAL (J)

SUBJECT:

Report on Internal Controls Over Performance Measures Report Number A040226/B/F/F05002

his report presents the results of the Office of Inspector General's (OIG) review regarding the design and operation of the system of internal controls over performance measures reported in the Management Discussion and Analysis section of the General Services Administration's (GSA) Fiscal Year 2004 Performance and Accountability Report. This report also describes our audit responsibilities for conducting the performance measure review.

### Scope and Methodology

Under a contract monitored by the OIG, Pricewaterhouse Coopers LLP performed the audit of GSA's Fiscal Year 2004 Financial Statements. However, the portion of the audit related to internal controls over performance measures was performed by the OIG. During our review, we assessed the reasonableness of GSA's controls concerning the existence and completeness of data supporting individual performance measures. To obtain an understanding of the controls in place, we examined current GSA Government Performance and Results Act reporting policy and met with officials from the Office of the Chief Financial Officer (OCFO) regarding compliance with the policy. We also

reviewed documentation provided by OCFO officials that demonstrated that internal controls were in place and operational. Our procedures were not designed to provide assurance on internal controls over reported performance measures. Therefore, we do not provide an opinion on such controls.

We conducted this review in accordance with generally accepted government auditing standards, as well as the provisions set forth in the Office of Management and Budget Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, related to performance measures.

### Results of Audit

The internal controls designed by the OCFO over GSA's performance measure data reported in the Management Discussion and Analysis Section of the Agency's Fiscal Year 2004 Performance and Accountability Report are operating effectively. While we had identified significant internal control weaknesses in the past, the results of our testing indicated that the OCFO has taken a number of steps to ensure the adequacy of the internal controls over GSA's performance measure data.

In Fiscal Year 2003, we reported that the OCFO did not fully implement an established process to ensure the adequacy of the internal controls over performance measure data. Specifically, we found that although the OCFO reviewed the data supporting the performance measures for the Federal Technology Service in Fiscal Year 2003 and the data for the Federal Supply and Public Buildings Services in Fiscal Years 2002 and 2001 respectively, they did not perform such reviews for GSA's major Staff Offices. We felt that in not doing so, the OCFO was not making sufficient progress in implementing their plan to address the adequacy of the internal controls over the performance measure data. We deemed this lack of progress to be an internal control weakness, and determined it was of sufficient magnitude to warrant a reportable condition.

This year, however, we found that the OCFO reviewed the performance measurement data for GSA's major Staff Offices. The OCFO's review of the performance measure data reported by the Staff Offices, coupled with the reviews of the performance measure data reported by the Services over the past three years, has resulted in the completion of an initial review of GSA's overall performance measure data, and represents significant progress in the implementation of internal controls over the data supporting the Agency's performance measures.

The OCFO has also performed two additional steps in an effort to ensure the adequacy of the internal controls over the Agency's performance data. First, the OCFO has prepared a draft GSA Order entitled, "Performance Measure Data Verification and Validation Procedures." Once signed into effect, this Order will identify the policies, procedures, and responsibilities for the establishment of GSA's performance measurement data verification and validation process. The Order will formally require that the performance measurement data for all Services and Staff Offices be reviewed on a three year cycle. Second, the OCFO has hired a consultant to review the process used to verify and validate the data supporting GSA's performance measures, and to make recommendations as to how to improve this process and implement these suggested improvements throughout GSA.

The steps taken by the OCFO during Fiscal Year 2004 have adequately addressed our concerns that significant deficiencies exist in the design and operation of the internal controls in place over GSA's performance measure data. Accordingly, we have determined that the internal controls over the existence and completeness of the data supporting GSA's performance measures appear to be operating effectively. Therefore, we consider the reportable condition identified in Fiscal Year 2003 to be resolved.

### **CONSOLIDATING STATEMENTS OF NET COST**

For the Fiscal Years Ended September 30, 2004 and 2003 (Dollars in Millions)

The second se	2004	2003
DERAL BUILDINGS FUND:		
Revenues:		
Building Operations - Government-Owned	\$ 3,936	\$ 3,805
Building Operations - Leased	4,354	4,067
Expenses:		
Building Operations - Government-Owned	3,021	3,071
Building Operations - Leased	4,225	3,985
Net Revenues From (Cost of) Continuing Operations	1,044	816
Transferred Operations: (Note 15)		
Revenues - Federal Protective Service		83
Expenses - Federal Protective Service	The last of the same	231
Net Revenues From (Cost of) Transferred Operations		(148
Net Revenues From (Cost of) Operations	1,044	668
NERAL SUPPLY FUND:		E S
Revenues:		
Global Supply Operations	1,110	967
Vehicle Acquisition and Leasing	1,515	1,517
Commercial Acquisition	556	55:
Professional Services	490	2:
Other Programs	39	29
Expenses:	4.000	05
Global Supply Operations	1,080	95
Vehicle Acquisition and Leasing	1,487	1,470
Commercial Acquisition	473	42
Professional Services	492	2
Other Programs	64	14
Net Revenues From (Cost of) Operations	114	14
FORMATION TECHNOLOGY FUND:		
Revenues:		1 000
Network Services	1,206	1,09
IT Solutions	7,195	7,58
Expenses:		14 1416
Network Services	1,175	1,10
IT Solutions	7,209	7,59
Net Revenues From (Cost of) Operations	17	(1

ntinued from previous page	2004	2003
HER FUNDS:		
Revenues:		
Working Capital Fund	329	323
GSA OE and OGP Funds	24	27
Other Funds	6	3
Expenses:		
Working Capital Fund	340	329
GSA OE and OGP Funds	167	152
Other Funds (Note 17)	77	752
Net Revenues From (Cost of) Operations	(225)	(880
SS: INTRA-GSA ELIMINATIONS (NOTE 1-B):		
Revenues	541	528
Expenses	568	555
A CONSOLIDATED:		
Revenues	20,219	19,552
Expenses	19,242	19,605
Net Revenues From (Cost of) Operations		\$ (53)

The accompanying notes are an integral part of these statements.

CONSOL	LIDATING	<b>BALANCE</b>	SHEETS
--------	----------	----------------	--------

of September 30, 2004 and 2003 ollars in Millions)		ERAL IGS FUND		ERAL Y FUND
nuis in minions)	2004	2003	2004	2003
SETS				
Intragovernmental Assets:				
Funds with U.S. Treasury (Note 1-D,2)	\$ 5,355	\$ 4,854	\$ 423	\$ 458
Accounts Receivable - Federal, Net (Note 4)	259	270	376	300
Prepaid Expenses and Advances - Federal	2		2	1
Total Intragovernmental	5,616	5,124	801	759
Inventories (Note 1-E)	3	3	227	229
Accounts Receivable - Public, Net (Note 4)	12	6	68	80
Prepaid Expenses and Advances - Public			2	6
Other Assets	15	19	6	8
Property and Equipment (Notes 1-F,5):			THE STATE OF	
Buildings	23,700	21,712	-	-
Leasehold Improvements	333	307	9	6
Telecommunications and ADP Equipment		~	-	-
Motor Vehicles			3,782	3,674
Other Equipment	59	64	140	121
Less: Accumulated Depreciation and Amortization	(11,302)	(10,371)	(1,266)	(1,215)
Subtotal	12,790	11,712	2,665	2,586
Land	1,277	1,178		
Construction in Process and Software in Development	1,077	1,643	4	2
Total Property and Equipment	15,144	14,533	2,669	2,588
Total Assets	\$ 20,790	\$ 19,685	\$ 3,773	\$ 3,670
ABILITIES AND NET POSITION				
Intragovernmental Liabilities:				
Accounts Payable and Accrued Expenses - Federal	\$ 77	\$ 79	\$ 21	\$ 31
Deferred Revenue and Advances - Federal	24	33	72	47
Intragovernmental Debt (Note 6)	2,210	2,231		
Workers' Compensation Actuarial Liability (Note 7)	113	111	30	33
Other Intragovernmental Liabilities (Note 9)	249	226	6	6
Total Intragovernmental	2,673	2,680	129	117
Accounts Payable and Accrued Expenses - Public	801	813	267	160
Deferred Revenue and Advances - Public	26	13	-	-
Environmental and Disposals Liabilities (Notes 5,10)	103	80		
Obligations Under Capital Leases (Note 8)	306	277		-
Annual Leave Liability (Note 1-G)	39	37	18	17
Deposit Fund Liability		¥	- /	-
Earnings Payable to U.S. Treasury		1321	84	
Other Liabilities (Note 9)	126	149	-	6
Total Liabilities	4,074	4,049	498	300
ET POSITION (NOTE 14):	10.00			1.3.15
Cumulative Results of Operations	16,686	15,599	3,275	3,370
Unexpended Appropriations	30	37		
Cherpenaes Appropri		12/2/	2 275	3,370
Total Net Position	16,716	15,636	3,275 \$ 3,773	\$ 3,670

		RMATION LOGY FUND	OTHER	FUNDS		ITRA-GSA IATIONS		SOLIDATED TALS
	2004	2003	2004	2003	2004	2003	2004	2003
	\$ 288	\$ 315	\$ 494	\$ 472	\$ -	\$ -	\$ 6,560	\$ 6,099
	1,260	1,495	2	3	19	16	1,878	2,052
	-		9	17	2		11	18
	1,548	1,810	505	492	21	16	8,449	8,169
	-	7			-		230	232
	10	6	22	19	-	-	112	111
						in the same that	2	6
	9	10	2	3	29	35	3	5
	-	-	-	-	-	-	23,700	21,712
11			*				342	313
	168	169	-	-	-		168	169
	-				-		3,782	3,674
	93	91	74	64	2		366	340
	(220)	(205)	(25)	(15)	-		(12,813)	(11,806
	41	55	49	49	-		15,545	14,402
							1,277	1,178
	63	30	-	-		7=	1,144	1,675
	104	85	49	\$ 49	-		17,966	17,255
	\$ 1,671	\$ 1,911	\$ 578	\$ 563	\$ 50	\$ 51	\$26,762	\$ 25,778
	\$ 44	\$ 38	\$ 12	\$ 10	\$ 19	\$ 16	\$ 135	\$ 142
111	\$ 44 78	\$ 38 176			\$ 19 31	\$ 16 35	\$ 135 183	\$ 142 258
			\$ 12 40	\$ 10 37	\$ 19 31	\$ 16 35	183	258
			40	37			183 2,210	258 2,231
	78	176		37			183 2,210 167	258 2,231 174
	78 - 9	176 - 11	40	37 - 19		35 - -	183 2,210 167 311	258 2,231 174 280
	78 - 9 2	176 - 11 2	40 - 15 54	37 - 19 46	31		183 2,210 167 311 3,006	258 2,231 174 280 3,085
	78 9 2 133	176 - 11 2 227	40 - 15 54 121	37 - 19 46 112	31	35 - -	183 2,210 167 311 3,006 2,333	258 2,231 174 280 3,085 2,407
	78 9 2 133	176 - 11 2 227	40 - 15 54 121 32	37 - 19 46 112	31	35 - -	183 2,210 167 311 3,006 2,333 26	258 2,231 174 280 3,085 2,407
	78 9 2 133 1,233	176 - 11 2 227 1,409	40 - 15 54 121 32	37 - 19 46 112 25	31	35 - -	183 2,210 167 311 3,006 2,333 26 138	258 2,231 174 280 3,085 2,407 13
	78 9 2 133 1,233	176 - 11 2 227 1,409 -	40 	37 - 19 46 112 25 - 45	31	35 - -	183 2,210 167 311 3,006 2,333 26 138 306	258 2,231 174 280 3,085 2,407 13 125 277
	78 9 2 133 1,233	176 - 11 2 227 1,409 -	40 	37 - 19 46 112 25 - 45	31	35 - -	183 2,210 167 311 3,006 2,333 26 138 306 88	258 2,231 174 280 3,085 2,407 13 125 277 84
	78 9 2 133 1,233	176 - 11 2 227 1,409 - - 12	40 	37 - 19 46 112 25 - 45 - 18	31	35 - -	183 2,210 167 311 3,006 2,333 26 138 306 88	258 2,231 174 280 3,085 2,407 13 125 277 84 51
	78 9 2 133 1,233	176 - 11 2 227 1,409 - - 12 - 1	40 	37 - 19 46 112 25 - 45 - 18 51	31	35 - -	183 2,210 167 311 3,006 2,333 26 138 306 88 29	258 2,231 174 280 3,085 2,407 13 125 277 84 51 37
	78 9 2 133 1,233	176 - 11 2 227 1,409 - - 12	40 15 54 121 32 - 35 - 19 29 45	37 19 46 112 25 - 45 - 18 51 37	50	35 - -	183 2,210 167 311 3,006 2,333 26 138 306 88 29 129 134	258 2,231 174 280 3,085 2,407 13 125 277 84 51 37 164
	78 9 2 133 1,233	176 - 11 2 227 1,409 - - 12 - 1	40 	37 - 19 46 112 25 - 45 - 18 51 37 8	50	51	183 2,210 167 311 3,006 2,333 26 138 306 88 29	258 2,231 174 280 3,085 2,407 13 125 277 84 51 37
	78 9 2 133 1,233	176 - 11 2 227 1,409 - - 12 - 1	40 	37 	50	51	183 2,210 167 311 3,006 2,333 26 138 306 88 29 129 134 6,189	258 2,231 174 280 3,085 2,407 13 125 277 84 51 37 164 6,243
	78 9 2 133 1,233 - 12 - 1,378	176 - 11 2 227 1,409 12 - 1 1,649	40 	37 - 19 46 112 25 - 45 - 18 51 37 8 296	50	51	183 2,210 167 311 3,006 2,333 26 138 306 88 29 129 134 6,189	258 2,231 174 280 3,085 2,407 13 125 277 84 51 37 164 6,243
	78 - 9 2 133 1,233 12 - 1,378	176 - 11 2 227 1,409 12 - 1 1,649	40 	37 	50	51	183 2,210 167 311 3,006 2,333 26 138 306 88 29 129 134 6,189	258 2,231 174 280 3,085 2,407 13 125 277 84 51 37 164 6,243

### **CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION**

For the Fiscal Years Ended September 30, 2004 and 2003 (Dollars in Millions)

	FEDERAL BUILDINGS FUND		GEN SUPPI		
	2004	2003	2004	2003	
GINNING BALANCE OF NET POSITION:					
Cumulative Results of Operations	\$15,599	\$ 14,820	\$ 3,370	\$ 3,193	
Unexpended Appropriations	37	45			
Net Position Beginning Balance	15,636	14,865	3,370	3,193	
SULTS OF OPERATIONS:		(F. C   S)		and the	H
Net Revenue From (Cost of) Operations	1,044	668	114	145	
Appropriations Used (Note 1-C)	463	381			
Non-Exchange Revenue (Notes 1-C, 1-G)	-	-	-	-	
Imputed Financing Provided By Others	53	53	27	24	
Transfer of Earnings Paid and Payable to U.S. Treasury	-	-	(246)	-	
Transfers of Net Assets and Liabilities  (To) From Other Federal Agencies	(473)	(323)	10	9	
Receipts Paid and Reclassified as Payable From (To) the Land and Water Conservation Fund				-	
Other			1 -4-1-1	(1)	
Net Results of Operations	1,087	779	(95)	17.7	
ANGES IN UNEXPENDED APPROPRIATIONS:	47.73	CO M		100.00	H
Appropriations Received	460	373		-	
Appropriations Used	(463)	(381)	-		
Appropriations Adjustments and Transfers From Other Agencies or Funds	(4)	-			
Other					
Net Change in Unexpended Appropriations	(7)	(8)	-		
DING BALANCE OF NET POSITION:	100		MV.	14. 3 17 1	
Cumulative Results of Operations	16,686	15,599	3,275	3,370	
Unexpended Appropriations	30	37			
Net Position Ending Balance	\$16,716	\$ 15,636	\$ 3,275	\$ 3,370	

The accompanying notes are an integral part of these statements.

	INFORMATION TECHNOLOGY FUND			OTHER FUNDS			LESS: INTRA-GSA ELIMINATIONS				GSA CONSOLIDATED TOTALS			
10	2004		2003	2	2004		2003		2004	2	003	20	004	2003
											- 100			A COLOR
	\$ 262	\$	263	\$	159	\$	131	\$	-	\$	*	\$19,	390	\$ 18,407
	-		-		108		97				- 19 - 1		145	142
	262		263		267		228		E.		=	19,	535	18,549
			-	4										
	17		(13)		(225)		(880)		(27)		(27)		977	(53)
					194		839		1				657	1,220
			L.		42		21				-		42	21
	14		13		26		46		27		27		93	109
	-				(19)		(5)		-		-	(	265)	(5)
					5		5		+		7 -	(	458)	(309)
	·*		-		(2)		3		-				(2)	3
			(1)		(1)		(1)					T-T-	(1)	(3)
1	31		(1)		20		28		-		-	1.0	043	983
														,,,,
		_												
			-		203		872				-		663	1,245
			-		(194)		(839)				-	(	557)	(1,220)
			~		(7)		(23)				-		(11)	(23)
							1				5. 15			1
+			=1		2		11		-		9		(5)	3
			-		_									
Ī					-									
	293		262		179		159		×		-	20,4	33	19,390
1	-		*		110		108				- 1		40	145
	\$ 293	\$	262	\$	289	\$	267	\$	-	\$	-	\$20,5		\$ 19,535

### **COMBINING STATEMENTS OF BUDGETARY RESOURCES**

For the Fiscal Years Ended September 30, 2004 and 2003 (Dollars in Millions)

	FEDERAL BUILDINGS FUND		
	2004	2003	
DGETARY RESOURCES:	B. S. B. B. B. B.	17 2 7	
Budget Authority	\$ 9	\$ 110	
Unobligated Balance, Net - Beginning Balance	3,922	3,812	
Spending Authority:			
Earned Revenue	8,293	7,985	
Change in Unfilled Customer Orders	(67)	(52)	
Prior Year Recoveries	175	139	
Resources Temporarily Not Available	(647)	(481)	
Capital Transfers	(57)	(82)	
Total Budgetary Resources	11,628	11,431	
ATUS OF BUDGETARY RESOURCES:	STATE OF THE	W. F.	
Obligations Incurred	7,982	7,990	
Unobligated Balance - Available	3,558	2,725	
Unobligated Balance - Not Available	88	716	
Total Status of Budgetary Resources	11,628	11,431	
LATIONSHIP OF OBLIGATIONS TO OUTLAYS:			
Obligations Incurred	7,982	7,990	
Less: Spending Authority from Offsetting Collections and Recoveries	(8,401)	(8,072)	
Obligated Balance, Net - Beginning Balance	1,134	869	
Less: Obligated Balance - Ending:			
Accounts Receivable	230	239	
Unfilled Customer Orders	1,649	1,706	
Undelivered Orders	(2,207)	(2,177)	
Accounts Payable	(888)	(902)	
Outlays	(501)	(347)	
DMPONENTS OF OUTLAYS:		4.8	
Disbursements	7,791	7,657	
Collections	(8,292)	(8,004)	
Less: Offsetting Receipts		-	
Less: Offsetting Receipts	\$ (501)	\$ (347)	

The accompanying notes are an integral part of these statements.



	NERAL LY FUND		RMATION LOGY FUND	OTHER	FUNDS		OMBINED TALS
2004	2003	2004	2003	2004	2003	2004	2003
\$ -	\$ -	\$ -	\$ -	\$ 230	\$ 899	\$ 239	\$ 1,009
535	535	2,180	796	108	94	6,745	5,237
4,566	3,972	8,476	8,726	361	360	21,696	21,043
436	445	(472)	1,121	2	(7)	(101)	1,507
78	29	748	1,121	22	25		
7.0	2)	/10	1,449	-	2)	1,023 (647)	1,442
(162)	-			(4)	(12)		(481
5,453	4,981	10,932	11,892			(223)	(94)
7,173	1,701	10,932	11,092	719	1,359	28,732	29,663
		-	ACCOUNT OF THE	1 Trees	1000		
4,859	4,446	8,601	9,712	605	1,251	22,047	23,399
594	535	2,331	2,180	69	73	6,552	
-	-	-,551	2,100	45	35	133	5,513
5,453	4,981	10,932	11,892	719	1,359	28,732	751 29,663
		7,20	22,952	12)	1,000	20,732	27,003
4,859	4,446	8,601	9,712	605	1,251	22,047	23,399
(5,080)	(4,446)	(8,752)	(11,096)	(385)	(378)	(22,618)	(23,992)
(77)	(106)	(1,865)	(571)	153	135	(655)	327
385	366	1,226	1,456	3	5	1 044	2.066
1,074	655	5,704	6,078	3	3	1,844	2,066
(989)	(737)	(3,645)	(4,244)	(133)	(126)	8,430	8,442
(299)	(207)	(1,242)	(1,424)	(44)		(6,974)	(7,284)
(127)	(29)	27	(89)	202	(35) 855	(2,473)	(2,568)
				202	0))	(399)	390
						-	
4,436	3,899	8,635	8,428	566	1,206	21,428	21,190
(4,563)	(3,928)	(8,608)	(8,517)	(364)	(351)	(21,827)	(20,800)
	-	-	-	(16)	(2)	(16)	
\$ (127)	\$ (29)	\$ 27	\$ (89)	\$ 186	\$ 853	\$ (415)	(2)

# PRINCIPAL FINANCIAL STATEMENTS

# **CONSOLIDATING STATEMENTS OF FINANCING**

For the Fiscal Years Ended September 30, 2004 and 2003 (Dollars in Millions)

		ERAL IGS FUND		ERAL LY FUND	
	2004	2003	2004	2003	
SOURCES USED TO FINANCE ACTIVITIES:				HALLS.	
Obligations Incurred	\$ 7,982	\$ 7,990	\$ 4,859	\$ 4,446	
Less: Spending Authority From Offsetting Collections				( m	
and Adjustments	(8,401)	(8,072)	(5,080)	(4,446)	
Financing Imputed for Cost Subsidies	53	53	27	24	
Other	465	428	(64)	(9)	
Total Resources Used to Finance Activities	99	399	(258)	15	H
SOURCES USED THAT ARE NOT PART OF THE NET COST	OF OPERATIO	NS:			
(Increase)/Decrease in Goods and Services Ordered But					
Not Yet Received	(30)	(19)	(252)	(504)	L
Increase/(Decrease) in Unfilled Customer Orders	(67)	(52)	436	445	
Costs Capitalized on the Balance Sheet	(1,500)	(1,503)	(719)	(689)	
Financing Sources Funding Prior Year Costs	(35)	(39)		# 2 · A	
Other	(470)	(488)	32	(39)	
<b>Total Resources Used That Are Not Part of</b>					
the Net Cost of Operations	(2,102)	(2,101)	(503)	(787)	
STS FINANCED BY RESOURCES RECEIVED IN PRIOR PE	RIODS:				
Depreciation and Amortization	968	1,063	371	363	
Net Book Value of Property Sold			278	262	
Other	(2)	(29)	F		
Total Costs Financed by Resources Received					
in Prior Periods	966	1,034	649	625	
OSTS REQUIRING RESOURCES IN FUTURE PERIODS:					
	(6)	2			
Unfunded Capitalized Costs	(5)	2	(2)	2	
Unfunded Current Expenses	(2)	(2)	(2)	2	+
<b>Total Costs Requiring Resources in Future Periods</b>	(7)	- (((a)			+
Net (Income From) Cost of Operations	\$(1,044)	\$ (668)	\$ (114)	\$ (145)	

The accompanying notes are an integral part of these statements.

		MATION OGY FUND	OTHER	FUNDS		: INTRA-GSA WINATIONS		SOLIDATED TALS
2	004	2003	2004	2003	2004	2003	2004	2003
\$ 8,	601	\$ 9,712	\$ 605	\$ 1,251	\$ -	\$ -	\$22,047	\$ 23,399
(8,	752)	(11,096)	(385)	(378)			(22,618)	(23,992)
	14	13	26	46	27	27	93	109
	9	(9)	(7)	(4)			403	406
(	128)	(1,380)	239	915	27	27	(75)	(78)
				A 100	reach.	Property (Co.		
	599	275	(7)	(16)		_	310	(264)
(	472)	1,121	2	(7)		March 4 C	(101)	1,507
	(37)	(25)	(11)	(6)		-	(2,267)	(2,223)
	-				Line 1	A Law parties to	(35)	(39)
	2	3	5	(5)	-	-	(431)	(529)
	92	1,374	(11)	(34)			(2,524)	(1,548)
				Service .				
	17	24	11	10	-	-	1,367	1,460
	*	(5)					278	262
	-	(5)	-	-	-	-	(2)	(34)
	17	19	11	10	<u> </u>		1,643	1,688
	1 10		and the last	100000		The state of the s		
						the second		
	2		(14)	(11)	-		(5)	2
	2	-	(14)	(11)			(16)	(11)
\$	(17)	\$ 13	\$ 225		\$ 27	\$ 27	(21)	(9) \$ 53
9	(1/)	\$ 13	\$ 225	\$ 880	\$ 27	\$ 27	\$ (977)	\$

# Notes to the Financial Statements

For the Fiscal Years Ended September 30, 2004 and 2003

# ORGANIZATION

The U.S. General Services Administration (GSA) was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. The U.S. Congress enacted this legislation to provide for the Federal government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of GSA, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

# SIGNIFICANT ACCOUNTING POLICIES

# A. Reporting Entity

For its principal financial statements, GSA uses consolidating and combining formats to display its three largest revolving funds: PBS's Federal Buildings Fund (FBF), FSS's General Supply Fund (GSF), and FTS's Information Technology Fund (ITF). All other funds have been combined under Other Funds.

The accompanying financial statements of GSA include the accounts of all funds under GSA control, which have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

**REVOLVING FUNDS** are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by the U.S. Congress. The revolving funds in the Other Funds category consist of the following:

- Federal Consumer Information Center Fund
- Working Capital Fund

**GENERAL FUNDS** are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 10 General Fund accounts of which four are funded by current year appropriations, three by no-year appropriations, and three cannot incur new obligations. The general funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Electronic Government Fund
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Presidential Transition
- Election Reform Payments
- Election Reform Reimbursements
- Office of Inspector General
- Operating Expenses, General Services Administration
- Policy and Citizen Services Fund
- Real Property Relocation

**SPECIAL FUNDS** are accounts established for receipts earmarked by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property and for funding of the Transportation Audits Program. GSA's special funds consist of the following:

- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Expenses, Acquisition Workforce Training Fund
- Operating Expenses, Disposal of Real and Related Personal Property
- Other Receipts, Surplus Real and Related Personal Property
- Receipts of Rent, Leases and Lease Payments for Government Owned Real Property
- Receipts, Transportation Audits
- Receipts, Acquisition Workforce Training Fund
- Transfer of Surplus Real and Related Personal Property

MISCELLANEOUS RECEIPT AND DEPOSIT FUND accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to general funds of the Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received, and (4) monies whose distribution awaits a legal determination or investigation. The receipt and deposit funds in the Other Funds category consist of the following:

- Budget Clearing Account
- Credits for Withholding and Contributions, Civil Service Retirement and Disability Fund
- Employees' Payroll Allotment Account, U.S. Savings Bonds
- Fines, Penalties, and Forfeitures, Not Otherwise Classified
- Forfeitures of Unclaimed Money and Property Classified

- General Fund Proprietary Interest, Not Otherwise Classified
- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Suspense
- Suspense, Transportation Audits
- Unconditional Gifts of Real, Personal or Other Property
- Withheld State and Local Taxes

# B. Basis of Accounting

The principal financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements." The American Institute of Certified Public Accountant's (AICPA) Statements on Auditing Standards No. 91, Federal GAAP Hierarchy, established a hierarchy of GAAP for Federal financial statements. GSA's financial statements are prepared in accordance with formats prescribed in OMB Bulletin No. 01-09. These formats are considerably different from business-type formats. The Statements of Net Cost present the operating results of GSA by major programs and responsibilities. The Balance Sheets present the financial position of GSA using a format clearly segregating intragovernmental balances. The Statements of Changes in Net Position display the changes in equity accounts. The Statements of Budgetary Resources present the sources, status, and uses of GSA's budgetary resources. Last, the Statements of Financing bridge the gap between the uses of budgetary resources with the operating results reported on the Statements of Net Cost.

GSA did not perform all reconciliations with trading partners required by OMB Bulletin No. 01-09, which requires agencies to reconcile intragovernmental income, expense, assets, and liabilities, with all of its trading partners. GSA limited its reconciliations to fiduciary transactions activity.

# Notes to the Financial Statements

Certain prior year balances have been reclassified to conform with the current year's presentation.

On the Statements of Net Cost, Balance Sheets, Statements of Changes in Net Position, and Statements of Financing, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the Combining Statements of Budgetary Resources. Certain amounts of expenses eliminated on the Statements of Net Cost are imputed costs for which the matching resource is not revenue on this statement, but rather imputed resources provided by others, displayed on the Statements of Changes in Net Position. Accordingly, on the Statements of Net Cost the revenue and expense eliminations do not match. The Statement of Changes in Net Position displays the offsetting balances between these categories.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### C. Revenue Recognition and Appropriations Used

Substantially all revenues reported by GSA's funds on the Statements of Net Cost are generated from intragovernmental sales of goods and services. Expenses are primarily incurred with non-Federal entities supplying the underlying goods and services being provided to GSA's Federal customers. Each fund has established ratesetting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that the funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover costs covered by other funds or entities of the U.S. government, such as for postemployment and other inter-entity costs. Revenues from non-Federal entities make up an immaterial portion of GSA's total sales. Accordingly, where not otherwise governed by law, unique rates for non-Federal customers have generally not been established.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered. In the FBF, rent revenues are earned based on occupancy agreements with customers, as space and services are provided. Revenue under nonrecurring reimbursable building repair and alteration (R&A) projects is recognized under the percentage-of-completion method. In the GSF, Global Supply revenues are recognized as goods are provided to customers. Vehicle Acquisition and Leasing revenues are recognized when goods are provided and based on rental agreements over the period vehicles are dispatched. Commercial Acquisitions revenues are recognized when goods are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA's contracting vehicles by other agencies. The Schedules programs generated \$255 million in fees, constituting 6.9 percent of GSF revenues. Professional Services revenues are recognized when goods and services are provided. In the ITF, telecommunications service revenues are generally recognized based on customer usage or on fixed line rates. IT Solutions revenues are earned when goods or services are provided or as reimbursable project costs are incurred. In the Working Capital Fund (WCF), revenues are generally recognized as general management and administrative services are provided to the Service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

Non-Exchange revenues are recognized on an accrual basis on the Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA's operations where ultimate collections must be deposited in miscellaneous receipt accounts of the Treasury. Non-Exchange revenues are reported net of associated bad debt expense on uncollectable accounts.

Appropriations for General Fund and Special Fund activities are recorded as a financing source on the Consolidating Statements of Changes in Net Position when expended. Unexpended appropriations are reported as an element of Net Position on the Balance Sheets.

# D. Fund Balance with U.S. Treasury

This total represents all unexpended balances for GSA's accounts with the U.S. Treasury. Amounts in Funds with U.S. Treasury are based on the balances reported on the books of the U.S. Treasury, as the official record of the Federal government. Adjustments are only made to those amounts when significant errors are identified. See Note 2 for further details regarding such adjustments.

GSA acts as a disposal agent for surplus Federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA's legislative authorities, the gross proceeds from some sales are deposited in GSA's Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidating Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior.

#### E. Inventories

Operating supplies, which are consumed in operations, are valued at the lower of cost, determined principally on the first-in, first-out method, or market. Inventories held for sale to other Federal agencies consist primarily of GSF inventories, which are valued at the lower of cost, generally determined on a moving average basis, or market. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan.

In the FBF, inventory balances consist of operating supplies. In all other instances, inventory balances reported are inventories held for sale. In the GSF, \$2 million of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another Federal agency, sold, or donated to state or local governments.

## F. Property and Equipment (See Note 5)

Property and equipment purchases and additions in FY 2004 and 2003 of \$10,000 or more that have a useful life of 2 or more years are capitalized and valued at cost. Property and equipment transferred to GSA from other Federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value, and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value. Expenditures for major additions, replacements, and alterations are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of R&As and of leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA's financial statements as such amounts are transferred to the other agencies upon completion of the project. Substantially all land, buildings, and leasehold improvements are leased to other Federal agencies under short-term cancellable agreements. Generally, these agencies are billed for leased space at rent based upon commercial rates for comparable space.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold improvements are amortized over the lesser of their useful lives or the unexpired lease term. Buildings capitalized by the FBF at its inception in 1974 were assigned remaining useful lives of 30 years. Prior to 1974, no depreciation was recorded by GSA. Upon completion, construction costs are

# Notes to the Financial Statements

capitalized in the Land and Buildings accounts. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years, and 10 years, respectively.

Telecommunications equipment and automated data processing equipment are used in operations to perform services for other Federal agencies for which billings are rendered. Most of the assets comprising other equipment are used internally by GSA. Telecommunications and other equipment is depreciated over periods generally ranging from 3 to 10 years. Automated data processing equipment is depreciated over periods generally ranging from 3 to 5 years.

Motor vehicles are generally depreciated over 4 to 6 years.

In FY 2001, GSA implemented FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 10, Accounting for Internal Use Software. This standard requires capitalization of software development costs incurred for systems having a useful life of 2 years or more. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the FBF, this minimum threshold is \$1 million. For all other funds, it is \$250,000.

# G. Annual, Sick, and Other Types of Leave

Annual leave is accrued as it is earned and the accrual is relieved as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.

# 2 FUND BALANCE WITH U.S. TREASURY

## A. Reconciliation to Treasury

There were no differences between amounts reported by GSA and those reported to U.S. Treasury as of September 30, 2004. Differences existing between the total balance reported by GSA that were greater (less) than those reported by the U.S. Treasury at September 30, 2004, and 2003 were as follows (dollars in millions):

20	004	2	003
\$	8	\$	(1)
	-		(6)
	-		(12)
	-		26
S		\$	7
	\$		\$ - \$

# B. Balances by Fund Type

Funds with U.S. Treasury are primarily components of revolving funds such as the FBF, GSF, and ITF. The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2004	2003
Revolving Funds	\$ 142	\$ 124
Appropriated and General Funds	165	154
Special Funds	147	143
Deposit Funds	23	41
Miscellaneous Receipt Funds	17	10
Total Other Funds	\$ 494	\$ 472

# C. Relationship to the Budget

In accordance with SFFAS No. 1, Accounting for Selected Assets and Liabilities, the following information is provided to further identify amounts in Funds with U.S. Treasury as of September 30, 2004, against which obligations have been made, and, for unobligated balances, to identify amounts budgetarily available for future expenditures and those only available to liquidate prior obligations. Unobligated balances presented below

may not equal related amounts reported on the Combining Statements of Budgetary Resources (CSBR), particularly for Other Funds, as this schedule presents elements of Funds with U.S. Treasury, which excludes other authorities reportable in the CSBR and includes balances in Funds that are not reportable in the CSBR (dollars in millions):

	BLIGATED		TED BALANCE	
BAL	ANCE, NET	AVAILABLE	UNAVAILABLE	TOTAL
FY 2004				
FBF	\$ 1,118	\$ 3,501	\$ 736	\$ 5,355
GSF	(171)	594	-	423
ITF	(2,043)	2,331	-	288
Others	171	69	254	494
Total	\$ (925)	\$ 6,495	\$ 990	\$ 6,560
FY 2003				
FBF	\$ 999	\$ 2,658	\$ 1,197	\$ 4,854
GSF	(77)	535		458
ITF	(1,865)	2,180	-	315
Others	151	74	247	472
Total	\$ (792)	\$ 5,447	\$ 1,444	\$ 6,099

#### D. Availability of Funds

Included in GSA's accounts are certain amounts that may be transferred to either the U.S. Treasury or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program and surplus real property disposals, are subject to transfer subsequent to GSA's determination of the internal working capital needs of these programs. Such amounts totaled \$119 million and \$124 million at September 30, 2004 and 2003, respectively, of which \$22 million and \$25 million were recorded as liabilities in the Consolidating Balance Sheets. At September 30, 2004 and 2003, the balance of Funds with Treasury that were no longer available for expenditure totaled \$3 million and \$10 million, respectively. Of these amounts, substantially all balances were transferred back to the Special Fund Receipt Accounts from which they were appropriated, with minor amounts returned to Treasury.

# Non-Entity Assets

As of September 30, 2004, and 2003, certain amounts reported on the balance sheet are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1-A). These balances consisted of the following (dollars in millions):

	2004	2003
Funds with U.S. Treasury	\$ 88	\$ 87
Accounts Receivable - Public	1	1
Prepaid Expenses - Federal	9	17
Total	\$ 98	\$ 105

# ACCOUNTS AND NOTES RECEIVABLE

Substantially all accounts receivable are from other Federal agencies. Unbilled accounts receivable result from the delivery of goods or performance of services for which bills have not yet been rendered. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and writeoffs.

Notes receivable are from the sale of surplus real and related personal property, from motor vehicle damage claims, and from contract claims. Interest rates range from 0 percent to 8.6 percent.

A summary of Accounts and Notes Receivable is as follows (dollars in millions):

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND					
		2004	2	003		2004	2003	
CURRENT:								
Accounts Receivable - Billed	\$	93	\$	143	\$	94	\$ 105	
Accounts Receivable - Unbilled		188		164		354	277	
Allowance for Doubtful Accounts		(10)		(31)		(4)	(2)	
Subtotal Current Receivables		271		276		444	380	
NONCURRENT NOTES RECEIVABLE	200		1,7		THE	T A	314	
(Net of Allowance of \$40 million and \$35 million in 2004 and 2003, respectively)				-		-	l g	
Total Accounts and Notes Receivable	\$	271	\$	276	\$	444	\$ 380	

	INFORMATION TECHNOLOGY FUND		OTHER FUNDS LESS: INTRA-GSA GSA ELIMINATIONS		OTHER FUNDS				SOLIDATED TALS
2004	2003	2004	2003	2004	2003	2004	2003		
\$ 102	\$ 128	\$ 27	\$ 23	\$ -	\$ -	\$ 316	\$ 399		
1,168	1,373	2	3	19	16	1,693	1,801		
-	=	(5)	(4)	-	-	(19)	(37)		
1,270	1,501	24	22	19	16	1,990	2,163		
				7 200		The state of the state of	10 Feb		
-	-	-	-		-	-	¥		
\$ 1,270	\$ 1,501	\$ 24	\$ 22	\$ 19	\$ 16	\$ 1,990	\$ 2,163		

# PROPERTY AND EQUIPMENT

## A. Summary of Balances

In FY 2004, GSA recorded capitalized interest costs of \$1.1 million in the Construction in Process account associated with debt provided by the U.S. Treasury's Federal Financing Bank (FFB), as discussed in Note 6. Interest capitalized in FY 2003 amounted to \$451,000. Balances in GSA's Property and Equipment accounts subject to depreciation as of September 30, 2004, and 2003, are summarized below (dollars in millions):

	2004				HILL	
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$23,700	\$10,980	\$12,720	\$ 21,712	\$ 10,073	\$ 11,639
Leasehold Improvements	342	303	39	313	271	42
Telecom and ADP Equipment	168	143	25	169	137	32
Motor Vehicles	3,782	1,191	2,591	3,674	1,153	2,521
Other Equipment	366	196	170	340	172	168
Total	\$28,358	\$12,813	\$15,545	\$ 26,208	\$ 11,806	\$ 14,402

#### B. Cleanup Costs

In GSA's FBF, certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. Cleanup of such hazards is governed by various Federal and State laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

In accordance with the FASAB's SFFAS Numbers 5 and 6, Accounting for Liabilities of the Federal Government, Accounting for Property Plant and Equipment, respectively, and interpretive guidance in "Federal Financial Accounting and Auditing Technical Release Number 2" issued by the Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements. Accordingly, GSA recognized liabilities totaling \$103 million and \$80 million for Environmental and Disposal costs as of September 30,

2004, and 2003, respectively, for properties currently in GSA's property inventory. In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as is prescribed in the guidance noted above. In some instances, GSA has been named as a party in certain environmental cases where the subject property is no longer in the GSA or Federal property inventory. GSA's liability for such cases is further discussed in Note 10.

# C. Prior Period Reclassification

During FY 2004, GSA identified an error in a transaction posted to the FY 2003 Balance Sheet that was a material error in classification between the Buildings and Construction in Process asset categories. To properly state assets in the FBF, GSA utilizes a statistical projection to calculate the dollar amount of projects that should be reclassified from the Construction in Process line to the Buildings on the Balance Sheet. In FY 2003, a statistically significant sample item was incorrectly determined to be

complete. As a result, a \$921 million dollar misclassification occurred, overstating the balance of Buildings and understating the balance of Construction in Process. In accordance with SFFAS No. 21, Reporting Corrections of Errors and Changes in Accounting Principles, balances in these asset categories reported on the FY 2003 comparative Balance Sheets and the schedule above have been reclassified accordingly. The effect on depreciation is considered immaterial and a correcting entry has been posted to the FY 2004 depreciation expense.

# 6 DEBT FINANCING

#### A. Purchase Contract and Lease Purchase Debt

Purchase contract debt consists of two distinct financing methods employed to finance construction of Federal buildings. The Dual System provided monies via publicly issued Participation Certificates and Participation Certificates of U.S. Treasury's FFB. The Package System originally consisted of mortgage notes where construction and financing were arranged by the same party. GSA is not authorized to obtain any additional purchase contract debt without congressional approval.

In FY 1993 through 1995, GSA refinanced all outstanding publicly issued Participation Certificates and Package System mortgage notes with the FFB. GSA now has title to all purchase contract buildings.

Starting in FY 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the FBF lease purchase authority. Under these agreements, the FBF borrows monies through the FFB or executes lease-to-own contracts to finance the lease purchases.

The program authorizes total expenditures of \$1,945 million for 11 projects. In FY 2004 and 2003, the FFB made advance payments on the behalf of GSA totaling \$48 million and \$20 million, respectively. As of

September 30, 2004 and 2003, \$146 million and \$194 million, respectively, of borrowing authority under the lease purchase program remained available for obligation.

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities are as follows (dollars in millions): 2005 - \$113; 2006 - \$35; 2007 - \$38; 2008 - \$40; 2009 - \$43; 2010 and beyond - \$1,208.

# B. Pennsylvania Avenue Debt

The former Pennsylvania Avenue Development Corporation (PADC) originally received authority to borrow from the FFB to finance construction of the Ronald Reagan Building (RRB) in Washington, D.C., with a project budget of \$738 million. Effective March 31, 1996, the PADC was dissolved, with portions of its functions, assets, and liabilities being transferred to GSA, including the RRB.

Subsequent legislation consolidated GSA's portion of these assets and liabilities into the FBF, in which the cost and associated debt for the RRB is now recorded.

In FY 2003, the FFB made payments of \$1 million in advance payments on the behalf of GSA for this project. No more costs are anticipated to be borrowed under this authority.

Aggregate maturities on debt related to the RRB are as follows (dollars in millions): 2005 - \$14; 2006 - \$16; 2007 - \$17; 2008 - \$18; 2009 - \$19; 2010 and beyond - \$649.

# C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 30, 2004 and 2003 were as follows (dollars in millions):

	2004	2003
PURCHASE CONTRACT DEBT:		
Dual System: Participation certificates held by the FFB, due at various dates from June 26, 2004, through November 15, 2004, at interest rates ranging from 8.472 percent to 9.162 percent.	\$ 5	\$ 28
PACKAGE SYSTEM:		
Mortgage loans held by the FFB due at various dates from March 25, 2004, through March 25, 2005, at interest rates ranging from 6.399 percent to 7.939 percent.		3
LEASE PURCHASE DEBT:		
Mortgage loans and construction advances held by the FFB, due at various dates from August 1, 2005, through January 30, 2031, at interest rates ranging from 2.296 percent to 8.561 percent	1,472	1,454
PENNSYLVANIA AVENUE DEBT:		
Ronald Reagan Building, mortgage loans due November 2, 2026, at interest rates ranging from 5.073 percent to 8.323 percent	733	746
TOTAL GSA DEBT	\$ 2,210	\$ 2,231

# WORKERS' COMPENSATION BENEFITS

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL) which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. The DOL provides the actuarial liability for claims outstanding at the end of each fiscal year.

This liability includes the estimated future costs of death benefits, workers' compensation, and medical and miscellaneous costs for approved compensation cases. The present value of these estimates at the end of FY 2004 was calculated by DOL using a discount rate for 2004 of 4.88 percent and in 2005 and thereafter of 5.245 percent. At the end of FY 2003, the discount rate used was 3.84 percent for FY 2004 and 4.85 percent for FYs 2005 and thereafter. The actuarial liability recorded by GSA totaled \$167 million and \$174 million as of September 30, 2004 and 2003, respectively.

# B LEASING ARRANGEMENTS

As of September 30, 2004, GSA was committed to various noncancellable operating leases primarily covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options. The following are schedules of future minimum rental payments required under leases that have initial or remaining noncancellable lease terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

FISCALYEAR	TOTAL		
OPERATING LEASES	1.2		
2005	\$ 3,222		
2006	2,859		
2007	2,572		
2008	2,277		
2009	2,006		
2010 and thereafter	9,176		
Total minimum lease payments	\$ 22,112		
	=		

CAPITAL LEASES		
2005	\$	32
2006		32
2007		32
2008		31
2009		31
2010 and thereafter		366
Total minimum lease payments	_	524
Less: Amounts representing Interest		215
Executory Costs		3
Total obligations under capital leases	\$	306

Substantially all leased space maintained by the FBF is sublet to other Federal agencies at rent charges based upon approximate commercial rates for comparable The agreements covering the sublease arrangements allow customer agencies, among other things, to terminate the sublease at any time. In most cases, however, GSA believes the subleases will continue without interruption. Rental income under subleasing agreements approximated \$4.4 billion and \$3.6 billion for the fiscal years ended September 30, 2004 and 2003. respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately \$3.7 billion and \$3.4 billion in FY 2004 and 2003, respectively. The Consolidating Balance Sheets as of September 30, 2004, and 2003, include capital lease assets of \$363 million and \$319 million for buildings, respectively. Aggregate accumulated amortization on such structures totaled \$104 million and \$75 million in those years, respectively. For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

# 9 OTHER LIABILITIES

As of September 30, 2004, and 2003, amounts reported on the balance sheet as Other Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions):

	FBF	GSF	ITF	OTHERS	TOTAL GSA CONSOLIDATED
2004					
Other Intragovernmental Liabilities:					
Workers' Compensation Due to DOL	\$ 22	\$ 6	\$ 2	\$ 3	\$ 33
Deposits Held in Suspense	(a)	¥1	-	51	51
Payments Due to the Judgment Fund	227		-		227
Total	\$249	\$ 6	\$ 2	\$54	\$311
Other Liabilities:					
Contingencies	\$ 6	\$ -	\$ -	\$ -	\$ 6
Installment Purchase Liabilities	116	-	-	-	116
Pensions for Former Presidents		- 10-11	-	8	8
Unamortized Rent Abatements	4	-		14	44
Total	\$126	\$ -	\$ -	\$ 8	\$134
2003	18 July 18 July 18			4-19	
Other Intragovernmental Liabilities:	11.				
Workers' Compensation Due to DOL	\$ 20	\$ 6	\$ 2	\$ 3	\$ 31
Deposits Held in Suspense	-	-	-	43	43
Payments Due to the Judgment Fund	206	-	-	-	206
Total	\$226	\$ 6	\$ 2	\$46	\$280
Other Liabilities:					
Contingencies	\$ 33	\$ 6	\$ 1	\$ -	\$ 40
Installment Purchase Liabilities	112	-	-	-	112
Pensions for Former Presidents			-	8	8
Unamortized Rent Abatements	4	-	-	A 0	6164
Total	\$149	\$6	\$1	\$ 8	\$164

# 10 COMMITMENTS AND CONTINGENCIES

# A. Commitments

In addition to future lease commitments discussed in Note 8, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities amounted to \$7.1 billion in FY 2004 and \$7.7 billion in FY 2003.

# B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of GSA.

#### C. Contingencies Covered by GSA Funds

As of September 30, 2004 and 2003, GSA recorded liabilities in total of \$100 million and \$99 million, respectively, for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, GSA funds will probably incur losses. Of these amounts, \$94 million and \$60 million for those years, respectively, related to environmental claims. Environmental claims are included in Environmental and Disposal Liabilities, and the balance of possible contingent liabilities are reported within Other Liabilities on the Consolidating Balance Sheets.

In addition, GSA had another \$179 million and \$122 million in contingencies at September 30, 2004 and 2003, respectively, where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these contingencies.

In most cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other Federal agencies. The costs of administering, litigating, and resolving these actions are generally borne by GSA unless it can recover the cost from another Federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other Federal agencies. Amounts to be paid under any decision, settlement, or award pertaining thereto are sometimes funded by those agencies.

# D. Contingencies Covered by the Judgment Fund

In many cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the Department of the Treasury. In accordance with the FASAB's Interpretation Number 2, Accounting for Treasury Judgment Fund Transactions, costs incurred by the Federal government are to be reported by the agency responsible for incurring the

liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA reported \$35 million and \$46 million in FY 2004 and 2003, respectively, of Environmental and Disposals and Other Liabilities for contingencies, which will require funding exclusively through the Judgment Fund. Of those amounts, \$35 million and \$45 million, result from several environmental cases outstanding at the end of FY 2004 and 2003, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with AAPC Federal Financial Accounting and Auditing Technical Release No. 2, Determining Probable and Reasonably Estimable for Environmental Liabilities of the Federal Government.

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible, but not probable, ranged from \$170 million to \$3.5 billion at September 30, 2004 and ranged from \$104 million to \$3.5 billion at September 30, 2003.

The recognition of claims to be funded through the Judgment Fund on GSA's Consolidating Statements of Net Cost and Consolidating Balance Sheets is, in effect, recognition of these liabilities against the Federal government as a whole, and should not be interpreted as claims against the assets, or resources of any GSA fund, nor will any future resources of GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former Federal entities, particularly former World War II defense related activities.

Amounts paid from the Judgment Fund on behalf of GSA were \$34 million and \$76 million in FY 2004 and 2003, respectively. Of these amounts \$26 million and \$46 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contracts in dispute. The balance of claims paid on behalf of GSA do not require reimbursement to the Judgment Fund.

# **1** UNFUNDED LIABILITIES

As of September 30, 2004, and 2003, budgetary resources were not yet available to fund certain liabilities reported on the balance sheet. For the balances in question, most are long-term in nature where funding is generally made available in the year payments are anticipated. These Unfunded Liabilities consist of amounts reported on the Consolidating Balance Sheets for FY 2004 and 2003, under the captions: Compensation Actuarial Liability, Other Intragovernmental Liabilities, Annual Leave Liability, Environmental and Disposals, and Other Liabilities. In addition, balances reported as Intragovernmental Debt for FY 2004 and 2003, include unfunded balances totaling \$68 million and \$84 million, respectively. Certain other balances reported in the Consolidating Balance Sheets under the captions: Deposit Fund Liability, and Earnings Payable to Treasury, as well as amounts shown as Deposits Held in Suspense in Note 9, while unfunded by definition, will be liquidated from resources outside of the traditional funding process.

# @ RECONCILIATION TO THE PRESIDENT'S BUDGET

In accordance with FASAB SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. Differences can occur between amounts reported in the Combining Statements of Budgetary Resources (CSBR) and similar amounts reported as actual results in the President's Budget. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget.

In the most recent President's Budget, for the FY 2005, which displays actual results for FY 2003, the OMB modified the data that GSA reported to the U.S. Treasury. These modifications were made so that FY 2003 results would be

more comparative to the effects of implementing the Homeland Security Act. As a result, balances related to activity for the first five months of FY 2003, prior to the transfer, and balances transferred to DHS were deducted from the original amounts reported by GSA. This affected balances reported under GSA's FBF as Budgetary Resources by \$195 million, Obligations Incurred by \$186 million, Unobligated Balance by \$10 million and Outlays by \$253 million. For this same comparative purpose, \$12 million was deducted from each of those same categories related to the FedCIRC program, which is included in Other Funds.

Other differences between the CSBR and the President's Budget are due to adjustments identified by GSA during the preparation of the CSBR, which occurred after the U.S. Treasury's deadline for reporting of fund balances and budget execution results. Such adjustments to the balances reported to Treasury were made on the CSBR to more fully reflect the activity for the fiscal year ended and for balances as of September 30, 2003. Additional reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources, Obligations Incurred, and Unobligated Balances in expired annual appropriated funds but are appropriately included in the CSBR in the Other Funds group. Such amounts totaled \$55 million, \$27 million and \$28 million, respectively, in FY 2003.

The basis of the CSBR is data reported to the U.S. Treasury on the Statements of Budget Execution and Budgetary Resources (SF 133's). However, as the CSBR is being developed, items may be identified that require adjustment to the data originally submitted on the SF 133's, which would create differences between the CSBR and the President's Budget. Generally, such items are identified after the deadlines for reporting to the U.S. Treasury, and reflect reclassifications of balances to report the proper status of obligations or budgetary resources. For FY 2003, the most significant of these items was due to timing/cutoff differences. Adjustments recorded in the ITF resulted in increases to undelivered orders by \$54 million, decreases to unfilled customer orders of \$35 million, and decreases to the unobligated balance by \$95 million. Re-estimates were

State of the last	14.5	FBF		GSF		ITF	0	THERS		TOTAL	
	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	DIFFERENCE
Budgetary Resources	\$11,912	\$11,750	\$4,981	\$4,605	\$11,892	\$11,906	\$1,359	\$1,300	\$30,144	\$29,561	\$ 583
Obligations Incurred	7,990	7,765	4,446	4,066	9,712	10,035	1,251	1,219	23,399	23,085	314
Unobligated Balance	3,922	3,985	535	539	2,180	1,871	108	84	6,745	6,479	266
Obligated Balance	1,134	1,175	(77)	(75)	(1,866)	(1,544)	153	151	(656)	(293)	(363)
Outlays	(347)	(115)	(29)	(50)	(89)	(99)	855	851	390	587	(197)

required in the FBF, the most significant of which required reclassifications to increase accounts payable by \$55 million, and decrease undelivered orders by \$89 million. In the GSF, errors in original estimates lead to significant adjustments which increased undelivered orders by \$362 million, unfilled customer orders by \$315 million, spending authority from reimbursements by \$359 million and accounts receivable by \$43 million.

Additional differences were caused by reclassification of certain ITF results (see Note 13). The effect of the reclassifications decreased Obligations Incurred, increased Unobligated Balance, and decreased Obligated Balance by \$404 million on the Statements of Budgetary Resources for the ITF and GSA consolidated.

The most significant comparable amounts reported in the CSBR and President's Budget, and the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget are shown above (dollars in millions).

# **®** STATEMENT OF BUDGETARY RESOURCES

The CSBR present GSA's budgetary results in accordance with reporting requirements prescribed in OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget, which identifies budgetary resources available for spending, the status of those resources, and the relationship between obligated balances and outlays (see Note 12). The basis of the CSBR is data reported to the U.S. Treasury on the Statements of Budget Execution and Budgetary Resources (SF 133's). However, as the CSBR is being developed, items

may be identified that require adjustment to the data originally submitted on the SF 133's. Generally, such items are identified after the deadlines for reporting to the U.S. Treasury, and reflect reclassifications of balances to reflect the proper status of obligations or budgetary resources. With the acceleration of financial reporting, such differences will be minimized in the future.

For FY 2004, the most significant of these items was due to the effect of timing/cutoff differences from the FY 2003 reporting. Adjustments recorded in the ITF resulted in increases to the Change in Unfilled Customer Orders by \$35 million, decreases to Obligations Incurred of \$69 million, and decreases to the Unobligated Balance Brought Forward by \$95 million. Re-estimates were required in the FBF, the most significant of which required reclassifications to increase Accounts Payable by \$66 million, and decrease Undelivered Orders by \$68 million. In the GSF, errors in originally reported estimates lead to significant adjustments which decreased Obligations Incurred by \$365 million, and the change in Unfilled Customer Orders by \$315 million, and Spending Authority from Reimbursements by \$43 million.

During FY 2004, GSA identified a programming logic error in one of the subsystems feeding the core Pegasys accounting system that had been causing Undelivered Orders and Unobligated Balances to be misclassified starting in FY 2003. The misclassifications affected the FY 2003 Statements of Budgetary Resources and Statements of Financing for the ITF and GSA Consolidated. The effect on the Statements of Budgetary Resources increased Obligations Incurred, decreased the Unobligated Balance - Available, and increased Undelivered Orders by \$404 million as of and at September 30, 2003. The effects on the Statements of Financing similarly

overstated Obligations Incurred, and the Change in Undelivered Orders by the same amount. The affected balances on the Statements of Budgetary Resources and Statements of Financing have been reclassified accordingly, to remove these effects from the FY 2003 results.

# **1** STATEMENTS OF CHANGES IN NET POSITION

## A. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, by congressional rescissions, and by transfers to other Federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

GSA's FBF, GSF, ITF, WCF, and Federal Consumer Information Center Fund (FCICF) have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the GSF, earnings are retained to cover the cost of replacing the motor vehicle fleet and supply inventory. The ITF retains cumulative results to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains earnings to finance future operations. The FCICF retains cumulative results to finance future operations, subject to appropriation by Congress.

# **B.** Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances, and undelivered orders, net of unfilled customer orders. Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds or from the public where GSA has yet to provide the good or service requested. At September 30, 2004, and 2003, balances reported as unexpended appropriations were as follows (dollars in millions):

	2004	2003
Unobligated Balances:		
Available	\$ 55	\$ 59
Unavailable	19	20
Undelivered Orders, Net	66	66
Total Unexpended Appropriations	\$ 140	\$ 145

# TRANSFER OF FUNCTIONS

On November 25, 2002, the President signed the Homeland Security Act of 2002. This legislation centralized several entities of the Federal government that have provided protection, security information analysis, and communications regarding threats, emergencies, and disasters within the United States. Two elements of GSA, the Federal Proctection Service (FPS) and the FedCIRC, were transferred to the new DHS in accordance with this law, effective as of March 1, 2003.

The FPS was formerly a program of the PBS, with operations funded through the FBF. The primary mission of the FPS is protecting Federal buildings and the Federal employees housed therein. Funding for FPS has been generated as an element of rents charged to the Federal agencies occupying Federal buildings and from reimbursable agreements from customers for enhanced security services.

The FedCIRC led a Federal partnership to address computer security related incidents. This program was funded as part of GSA's Operating Expense Fund, which is an element of the Other Funds grouping in GSA's financial statements.

In accordance with the cited legislation, the operation of these activities remained in GSA through February 28, 2003, at which point all outstanding assets, liabilities, and budgetary authorities for these programs were transferred to the DHS. Accordingly, five months of operations are reflected on GSA's financial statements for FY 2003. As prescribed in FASAB Technical Bulletin 2003-01, *Certain Questions and Answers Related to the Homeland Security Act of 2002*, the Consolidating Statements of Net Cost reflect the segregation of these discontinued operations. The Statements of Net Position reflect the net of assets and liabilities transferred as Transfers out of Cumulative Results of Operations.

The long-term financial impact of the transfer of FPS activity will primarily be seen in reduced reimbursable revenues, and an even greater reduction of operating expenses in the FBF, thus increasing net income in the fund. The initial impact in FY 2003 was seen as the FPS program activity after the transfer to DHS generated \$186 million of revenues and \$412 million of expenses. Accordingly, the net income recognized in the FBF for FY 2003, was significantly higher than FY 2002, primarily due to this impact. In FY 2004, this impact was continued, as rent revenues continued to include elements for security, while the costs were no longer borne by GSA. As part of the FY 2004 appropriations act for DHS, GSA was directed to transfer funds to DHS totaling \$464 million to provide operational funding for the FPS.

The long-term financial impact of the transfer of FedCIRC will be reflected in the reduction of future appropriations related to this activity and the closely aligned obligations and expenses generated from program operations. The initial impact on FY 2003 financial results can be seen, as FedCIRC program operations generated \$7 million in new obligations, and \$8 million in operating expenses after the transfer of this activity to DHS.

Amounts transferred to DHS on March 1, 2003 consisted of the following balances (dollars in millions):

	FPS	FedCIRC
Funds with Treasury	\$ 445	\$ 18
Equipment	11	-
Accounts Payable	(106)	-
Annual Leave	(6)	-
Other Liabilities	(26)	-
Net Balance	\$ 318	\$ 18
Unobligated Balance	\$ 275	\$ 7
Undelivered Orders	\$ 69	\$ 11

# **10** EMPLOYEE BENEFIT PLANS

## A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) and makes the necessary payroll withholdings from them, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the Office of Personnel Management (OPM). Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) Number 5, Accounting for Liabilities of the Federal Government, GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidating Statements of Net Cost. While these costs will ultimately be funded out of direct appropriations made to OPM and do not require funding by GSA activities, they are an element of governmentwide costs incurred as a result of GSA's operations.

## B. Civil Service Retirement System

At the end of FY 2004, 35.9 percent of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (9.01 percent of base pay for law enforcement employees, and 8.51 percent for all others) to CSRS for all employees in FY 2004 and 2003 amounted to \$26 million and \$28 million, respectively.

#### C. Federal Employees Retirement System

On January 1, 1987, the FERS, a defined contribution plan, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2004, 63.7 percent of GSA's employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the Federal government's Thrift Savings Plan (TSP) for each employee. Under CSRS, employees can invest up to 5 percent of their base pay in the TSP. Employees under FERS can invest up to 13 percent of base pay, plus GSA will automatically contribute 1 percent of base pay and then match employee contributions up to an additional 4 percent of base pay. During FY 2004 and 2003, GSA (employer) contributions to FERS (23.3 percent of base pay for law enforcement employees and 10.7 percent for all others) totaled \$55 million and \$53 million, respectively. Additional GSA contributions to the TSP totaled \$23 million and \$21 million in those years, respectively.

#### D. Social Security System

GSA also makes matching contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed matching amounts of 6.72 percent of gross pay (up to \$87,900) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2004.

Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2004. Only 0.4 percent of GSA's employees are covered exclusively by these programs. Payments to these programs in FY 2004 and 2003 amounted to \$48 million and \$47 million, respectively.

## E. Schedule of Unfunded Benefit Costs

Amounts recorded in FY 2004, and 2003, in accordance with SFFAS No. 5 for post-employment benefits are as follows (dollars in millions.):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2004			
FBF	\$ 16	\$ 22	\$ 38
GSF	9	11	20
ITF	5	5	10
Other Funds	9	9	18
Total	\$ 39	\$ 47	\$ 86
2003			8
FBF	\$ 16	\$ 22	\$ 38
GSF	8	9	17
ITF	4	5	9
Other Funds	8	8	16
Total	\$ 36	\$ 44	\$ 80

# THELP AMERICA VOTE ACT

On October 9, 2002, the President signed the Help America Vote Act of 2002 (P.L. 107-252), to generate significant improvements in voting processes and the administration of elections across the United States. Under this Act, GSA was provided with \$650 million in appropriations, available to the 50 states, the District of Columbia, Guam, Puerto Rico, American Samoa, and the U.S. Virgin Islands to improve administration of elections, and to replace punch card and lever voting machines. Under the terms of the Act, GSA

made disbursements to the states and approved localities of all but \$379 thousand of the appropriated balance in FY 2003.

Additional funding related to the purposes of this Act was provided as part of the Consolidated Appropriations Resolution, 2003 (P.L. 108-7), signed February 20, 2003. Within GSA's authorities, \$15 million was appropriated for the purposes of reimbursing states for the cost of optical scan or electronic voting equipment obtained prior to the Federal election in November 2000. All but approximately \$100 thousand was disbursed in FY 2003 in accordance with the terms of this Resolution.

The almost \$665 million in payments made in accordance with these two laws are reflected as a portion of expenses reported on the Consolidating Statements of Net Cost under the Other Funds grouping.

There has been no subsequent funding under this act in FY 2004.

## **® FTS CONTRACTING IRREGULARITIES**

During FYs 2004 and 2003, GSA's Office of Inspector General (OIG) performed audits that identified a variety of questionable and improper contracting practices, including the use of the ITF for non-IT purposes in violation of the Purpose Statute, 31 USC 1301(a). GSA did, however, have other funds that were properly available to contract for the services in question. As of the date of these financial statements, GSA has identified contracts, totaling \$134 million, inappropriately funded by the ITF, all for years prior to FY 2004. GSA has received reimbursement from its customer agencies for the expenditures in question, and associated adjustments are not significant to the FY 2004 and 2003 financial statements. It is possible that ongoing program evaluations and OIG audits will discover additional contracting irregularities.

Among the contracts identified as having been improperly funded by the ITF, were two contacts from FY 2003 and prior, totaling \$57 million, which resulted in violations of the Antideficiency Act, 31 USC 1341 (a). These violations will be reported to the President and the presiding officers of each House of Congress as required by law. It is possible that additional violations of the Antideficiency Act will be identified and reported in connection with these audits.

# REQUIRED SUPPLEMENTARY INFORMATION

# **DEFERRED MAINTENANCE**

As of the end of FY 2004, GSA had no material amounts of deferred maintenance cost to report. GSA administers the Building Maintenance Management Program that, on an ongoing basis, maintains the Building Class inventory in acceptable condition, as defined by GSA management. GSA utilizes a condition assessment survey methodology, applied at the overall portfolio level, for determining reportable levels of deferred maintenance. Under this methodology, GSA defines "acceptable condition" and "acceptable level of service" in terms of certain National Performance Measures, formulated under the provisions of the Government Performance and Results Act (GPRA) of 1993.

GSA expenses normal repair and maintenance costs as incurred. Although GSA has no substantive backlog of deferred maintenance tasks, the average building in the GSA inventory is 43-years-old, and only 25 percent of these buildings have had extensive modernization. This has led to a large inventory of capital R&A work items of which approximately \$6.5 billion have not yet been addressed by an ongoing PBS R&A project. As this backlog is related to capitalizable improvements and modernization, they are not considered deferred maintenance in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment,* which is intended to report only maintenance items that would be expensed through the normal course of business. For FY 2005, GSA has requested new obligational authority of approximately \$980 million for the R&A program.

# INTRAGOVERNMENTAL BALANCES

Substantially all of GSA's program operations and operating results are categorized as general government functions.

For FY 2004, the following schedule identifies major customers of GSA's intragovernmental revolving funds and the associated amount of sales representing over 80 percent of GSA's total consolidated revenues (Dollars in millions):

AGENCY	AMOUNT	AGENCY	AMOUNT
Department of the Army	\$ 3,133	Department of Health and Human Services	711
Department of the Navy	2,359	Social Security Administration	613
Department of the Air Force	2,057	Department of Agriculture	538
Department of Justice	1,752	Department of the Interior	517
Department of Homeland Security	1,157	Department of State	516
Department of Defense	1,072	Others	3,215
Judiciary	1,047	Total	\$ 19,695
Department of the Treasury	1,008		

The following schedule reflects accounts receivable balances owed to GSA as of September 30, 2004, from the major customers of GSA's intragovernmental revolving funds, representing over 80 percent of GSA's total consolidated accounts receivable (dollars in millions):

AGENCY	AMOUNT
Department of the Army	\$ 386
Department of the Air Force	287
Department of the Navy	247
Department of Defense	244
Department of Justice	87
Department of Homeland Security	71
Department of the Treasury	61
Department of Agriculture	54
Civil Corps of Engineers	51
Department of Health and Human Services	42
Others	348
Total	\$1,878

GSA reported \$3,006 million of intragovernmental liabilities on its Balance Sheet as of September 30, 2004. Of that balance, the significant elements included the following items:

AMOUNT
\$ 2,210
227
250
319
\$3,006

# Supplemental Information and Other Reporting Requirements

# UPDATED ASSESSMENT OF GSA'S MAJOR MANAGEMENT CHALLENGES

## PROCUREMENT ACTIVITIES

**ISSUE**: GSA provides Federal agencies with products and services valued in the billions of dollars through various types of contracts it establishes and administers. Among other contracting programs and vehicles, GSA is responsible for the MAS program, a significant number of MAC, and the City Pair Airline contracts. Although GSA's specific concerns vary somewhat depending on the contracting program or vehicle, management challenges in this area generally center on the contract evaluation and award process, and involve the often-related issues of 1) competition, 2) pricing, and 3) implementation of statutory or regulatory compliance-type requirements.

THE MAS PROGRAM provides Federal agencies with a simplified procurement process for the purchase of a diverse range of commercial supplies and services from multiple vendors at prices associated with volume buying. MAS contracts are awarded to contractors supplying the same generic types of items or services at varying prices for delivery within the same geographic areas. Federal agencies then simply order supplies or services from the schedules (or catalogs) at the pre-negotiated prices and pay the contractors directly for their purchase. GSA administers over 60 schedules that produced sales of \$27 billion in FY 2003, and the volume is expected to continue to grow.

GSA is concerned that, as the MAS program has grown, the importance of certain program fundamentals, including pricing objectives and other pricing tools, has diminished. These fundamentals, which are set out by regulation, include the mandate for most-favored customer (MFC) pricing, the requirement to perform meaningful price analysis when awarding or extending

contracts, and the use of pre-award audits to assist in negotiating contracts. MFC pricing ensures that MAS contract pricing harnesses the Federal government's collective buying power for pricing purposes. Price analysis is the key substantive step a contracting officer performs for the purpose of arriving at fair and reasonable prices. Pre-award audits are the main tool by which a contracting officer can be assured that a vendor's pricing is as represented. Such audits also provide contracting officers with additional details regarding a vendor's pricing and sales practices in anticipation of negotiations. In 2001, OCFO issued an OIG white paper, reporting that FSS was not consistently negotiating MFC prices. Many MAS contract extensions are accomplished without adequate price analysis and available tools are not being used effectively to negotiate better MAS prices.

MACS are appropriate when the government cannot predetermine, above a specified minimum, the precise quantities of supplies or specific services that will be required during the contract period. Using source selection procedures, GSA competitively awards multiple contracts covering the same scope of work, and as needs are identified for specific tasks and products, agencies compete the task/delivery orders among the contract holders. The use of MACs is encouraged by the Federal Acquisition Streamlining Act of 1994 to promote best value and the fair opportunity for contract awardees to compete among themselves. The competition is intended to lower prices, obtain better quality, reduce delivery time, and improve customer service. Each of GSA's three major Services has developed MACs. However, at times the opportunity to be considered for task orders has been unnecessarily limited, thus reducing the possibilities for lower prices, better quality, reduced delivery time, and improved customer service.

AIRLINE CITY PAIR contracts are awarded annually. The \$1 billion program provides Federal travelers with below market fares and provides advantages over commercial restricted coach fares, including unrestricted and fully refundable fares, no penalties for cancellations or schedule changes, and stable fare prices. To ensure the best value possible for Federal agencies, FSS needs to consider applying private sector practices when evaluating offers, make travelers aware of benefits of using dual fares, and ensure that measurement data is received from the airlines, banks and travel management centers.

**CLIENT SUPPORT CENTERS.** Over the past year and a half, OCFO has identified improper contracting practices at the FTS CSCs in several regions, and it has several other reviews in process. OCFO identified numerous improper task order and contract awards. In making these awards, CSC officials breached government procurement laws and regulations, and on a number of occasions, processed procurement transactions that totaled more than \$100 million of goods and services through the ITF that were well outside the fund's legislatively authorized purposes. Inappropriate contracting practices included improper sole source awards, misuse of small business contracts, allowing work outside the contract scope, improper order modifications, frequent inappropriate use of time and materials task orders, and not enforcing contract provisions. Several factors contributed to these problems, including an ineffective system of internal management controls, personnel sacrificing adherence to proper procurement procedures in order to accommodate customers' preferences, and a culture that emphasized revenue growth. GSA's reports have received the attention of senior management, several congressional committees. the OMB, and the media. In addition, other Federal agencies, particularly DOD, have initiated analyses of contract actions since these questionable procurement actions were done on behalf of work requests from other agencies.

AGENCY ACTIONS: OIG is participating with FSS in a working group to review current MAS procurement

practices and analyze potential enhancements to program pricing activities. The group is comprised of representatives from the OCAO, OGC, FSS acquisition, and the OIG. On June 20, 2003, FSS issued a Procurement Information Bulletin (PIB) to provide guidance and instructions to contracting officers in requesting audit assistance from the OIG when making new awards exercising options to extend the term of a contract. The principles in the PIB also apply to audits of new MAS offers. The PIB should help contracting officers take better advantage of the assistance that can be provided by the OIG.

FSS is supporting FAR changes that will require agencies acquiring services using the MAS services schedules to attempt to obtain better-than-negotiated pricing on large procurements. On June 18, 2004, the FAR Council issued a final ruling regarding ordering procedures under GSA's MAS contracting program. Among other things, the final rule requires ordering agencies to seek competition among MAS vendors, document their award decisions, and seek additional price reductions under Blanket Purchase Agreements (BPA).

GSA worked with an interagency committee to develop a best practices guide, *Seven Steps to Performance-Based Services Acquisition*. Additionally, a Center of Expertise has been established to gather sample statements of work and develop a template for performance-based service contracting solicitations.

The Agency conducted a study of FSS and FTS operations related to IT offerings in order to enhance GSA's ability to provide best value to customer agencies. Three teams were established to develop business plans to combine and realign functional areas related to IT that are currently carried out separately in FSS and FTS, and expand expert assistance services, both technical and procurement, into other GSA products and services.

GSA streamlined its supply operations by consolidating its distribution centers at two locations. Recently, the Western

# Supplemental Information and Other Reporting Requirements

Distribution Center moved to a more modern facility with an updated material handling system. The Agency estimated savings through efficiencies and technology at \$9 million. A similar redesign is anticipated at the Eastern Distribution Center. An assessment of the validity of the estimated savings for the upgrades and modernization of the Western Distribution Center is currently underway.

In June 2004, GSA established a new OCAO, aimed at ensuring compliance with Federal contracting rules, fostering full and open competition for contracts, and strengthening accountability in contracting. The office absorbed many of the functions formerly in the OGP.

On July 13, 2004, GSA unveiled a comprehensive plan designed to ensure improved contracting operations and proper use of GSA's contracting vehicles. The "Get it Right" plan aims to make acquisition policies, regulations, and procedures clear and explicit and improve the education/training of the Federal acquisition workforce on the proper use of GSA contracting vehicles and services. GSA worked closely with other Federal agencies, particularly DOD, in identifying actions necessary to ensure proper use of GSA contracting vehicles by GSA and other agencies. The plan will be a work in progress that will be continuously refined and updated.

#### CONTRACT MANAGEMENT

**ISSUE:** GSA increasingly accomplishes its mission by using contractors to provide client services and products. In FY 2002, GSA added new procurements valued at more than \$13 billion to its active contract inventory. While GSA gains tremendous advantage by leveraging its human capital to manage and arrange for work to be performed by contractors rather than doing the work itself, the corporate skill base necessary to effectively manage contracts is not keeping pace with the growth and complexity of this important activity.

Through a number of unrelated audits performed over recent years, GSA observed certain trends that caused the Agency to be concerned with contract management. Some points OIG has noted are:

- Weak selection criteria permit poor performing contractors to win awards, or projects were awarded to contractors with no expertise in the services needed. Task objectives were poorly crafted, milestone plans were missing, and unauthorized personnel issued some task orders. In addition, contracts were awarded without appropriate clauses to hold contractors responsible for protecting sensitive data from unauthorized release.
- Use of contract formats that offer no incentives to keep projects moving. Contractors often neglect to establish required quality control programs, or do not submit firm construction schedules meaning that delays are unknown until they become serious.
- GSA personnel are not providing project oversight, are slow in making project-critical decisions, and often do not inspect completed work projects prior to payment. Also, services were paid for but never provided, and authorizations to pay for services invoiced had no supporting documentation.
- GSA leasing officials did not monitor receipt of services required under leases and relied on tenant complaints for identifying service deficiencies rather than taking a proactive approach to ensuring required services are provided. OIG also noted a lack of documentation supporting whether identified fire and other safety conditions in leased facilities were corrected.

In GSA's briefings to its senior management, it has been emphasized that effective contract management:

- Starts with complete acquisition planning
- Relies on sound source selection criteria to select only the best contractors

- Requires clear and concise contract language
- Demands well trained contract administrators
- Needs well defined work or task order requirements, including milestone plans with positive and negative incentives
- Command assertive action to get wayward contracts promptly on track.

There is a heightened need for improvement efforts as GSA's contracting workload continues to increase at a rapid rate. While many GSA contracts are well crafted and properly administered OIG is finding weaknesses more often.

AGENCY ACTIONS: GSA has provided training in source selection and related procurement issues for property development personnel. The Agency has also established an online folder to post source selection best practices. Contracting officers are receiving classes in advanced source selection and refresher training on aspects of construction project administration, such as critical path analysis, enforcement of clauses and scheduling, claims management, processing change orders, and linking the indirect costs of client directed changes back to clients.

# **INFORMATION TECHNOLOGY**

**ISSUE:** With the increased development and implementation of new IT systems within GSA to perform its mission and manage its operations, challenges in this area continue to increase. Many of GSA's systems store and process sensitive information, which includes personal employee data, financial data, and contractors' proprietary information. Management challenges related to systems requirements and performances are faced at all phases of development, implementation, and operation. Further, it is critical that the IT Security Program adequately manage all IT security risks. GSA is the lead agency for five electronic government initiatives. Two of the initiatives address Government to Business or Government to Citizen services, and three initiatives are to provide services to other

government departments and agencies. These IT applications, developed to better manage operations and interface with the public, also give rise to complex integration and security issues that must be addressed. Success is dependent upon breaking development into short-term manageable segments with performance-based deliverables consistent with system objectives.

SYSTEMS DEVELOPMENT: GSA is in the process of replacing a number of its old systems, in keeping with technological advances and to meet current regulations. Many of the IT projects are designed to go beyond automating current business functions and create real change in the way that GSA does business. However, GSA has experienced recurring difficulty in deploying and maintaining structured system development practices that ensure the proper development of requirements as well as implementation of prescribed system processes. As a result, GSA systems commonly experience development schedule delays and cost overruns, need frequent redesign, and have difficulty sharing usable data between systems.

Many GSA IT projects attempt to minimize development cost and deployment schedules by developing systems based on existing COTS software packages. COTS solutions offer agencies the ability to forgo lengthy development of core system functionality and the ability to adhere to industry information processing standards. However, the majority of COTS solutions do require modifications to meet unique Federal requirements. Moreover, new systems require interfaces with existing systems that are difficult to implement. Reviews by OIG has shown this to be the case with GSA's new accounting system, Pegasys, the foundation of which is a COTS financial management product. During FY 2001, the OCFO re-scoped Pegasys to focus on providing elements of the core financial functionality. As planned, on October 1, 2002, Pegasys became the Agency's official system for accounting records. While this is a key accomplishment, numerous challenges remain before completing full implementation of an integrated financial management system.

# Supplemental Information and Other Reporting Requirements

IT SECURITY: The FISMA of 2002 permanently authorized the framework laid out in the earlier Government Information Security Reform Act (GISRA) emphasizing key principles for computer security for Federal programs and systems. With the OIG's latest program evaluation, it found that GSA continues to make progress in implementing its Agency-wide IT Security Program. The Security Division within the OCIO has 1) issued security guidelines and revisions to the Agency-wide policy on IT security, and 2) taken steps to correct security weaknesses identified in GSA's POA&M. However, system-level POA&Ms are not consistently used to track and correct identified security weaknesses. Key systems security documentation was outdated or not complete; and contractors were granted access without appropriate background investigations.

AGENCY ACTIONS: In January 2003, the OCIO issued a new handbook on IT Security Policy to document and set forth GSA's IT Security Policy, an element required for meeting the goals of GSA's IT Security Program. In addition, Milestone and Action Plans for improving security for 23 of GSA's major applications were provided to the OMB as required by statute.

# MANAGEMENT CONTROLS

**ISSUE:** Multiple management controls have been replaced, through reinvention initiatives, by fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed. The matter of weak internal controls underlies several of the other management challenges discussed elsewhere in this paper.

**PROCUREMENT:** Management has been emphasizing the use of purchase cards as a means of streamlining the procurement process. Individuals can charge any amount up to their spending authority. The Agency's emphasis on using purchase cards whenever possible significantly heightens the importance of adequate controls for purchase card transactions. GSA's concerns encompass whether speedy procurement is being attained at the

expense of appropriate regulatory requirements and good management controls, whether charge cards are being used solely for appropriate government purchases, and whether GSA is getting the best price.

Many agencies have applied themselves of the services available under GSA's government wide charge card program, yet some have failed to adequately implement controls over the use of the cards by their employees. While it is the responsibility of individual agencies to establish controls for their own cardholders, OMB and Congress still look to GSA to take a leadership role in development of effective charge card program controls across the government. Within GSA, steps taken to strengthen controls over vehicle and travel cards appear to be effective since GSA seldom finds instances of misuse by GSA cardholders. Although the key control of supervisory review of cardholders' transactions is now more consistently followed, GSA does occasionally identify problems.

**DATA INTEGRITY:** In passing the GPRA, Congress emphasized that the usefulness of agencies' performance data depends, to a large degree, on the reliability and validity of that data. Past audit work has shown that the absence of controls or the non-compliance with existing controls has resulted in poor quality data at the operational levels of many GSA programs.

AGENCY ACTIONS: GSA's CFO is aware of the importance of adequate controls for charge card transactions and has worked with the OIG office to strengthen those controls. New processes are in place that force reviewing officials to examine purchase transactions monthly. Cards are withdrawn from those who do not comply. GSA purchase cardholders and approving officials are required to complete refresher training every two years. In addition, the CFO periodically issues e-mail reminders to cardholders stressing their responsibilities for proper use of the cards. As a result, the Office has seen a substantial reduction of fraud stemming from card use. GSA is also a key participant in an OMB sponsored Federal

committee working to identify ways to improve the overall charge card control systems governmentwide.

The PBS Commissioner has taken action to improve the integrity of the data in the Inventory Reporting Information System (IRIS). Because this system is used to manage the R&A Program, it is imperative that data in IRIS be reliable since PBS management decisions regarding the investment, repair, or disposal of assets could be significantly impaired. An IRIS based measure for the basic R&A Program has been put in place and a contract was awarded for modification to import key financial project data from the Financial Management System.

In an effort to rein in the cost growth and bid busts on new construction projects, the commissioner has directed the national office to:

- Expand and strengthen its participation in the oversight of major projects and the development of the project teams working on them
- Develop a comprehensive project management manual
- Require senior management involvement where technical evaluation of project plans find unresolved deficiencies and missing requirements before projects are advanced to OMB
- Establish a design management evaluation process that includes an independent cost estimate at various design phase submissions.

# AGING FEDERAL BUILDINGS

**ISSUE:** GSA is being challenged to provide quality space to Federal agencies in a competitive environment with an aging, deteriorating inventory of buildings and critical budgetary limitations.

It is estimated that it would take over \$5 billion to bring the building inventory up to standard. Since the FBF generates annual revenue of about \$8 billion, most of which is committed to leased space costs, operating expenditures, and construction of new courthouses, finding funds for needed repairs is a major problem.

GSA needs to determine which buildings represent the greatest risk from a safety and operational perspective, which buildings will yield the best return on investment, what the government's future space requirements are, and how to fund the highest priority projects in a timely manner.

Prior reviews showed a need for PBS to improve the administrative aspects of asbestos management, develop a more comprehensive fire safety management system that focuses on a national fire safety strategy, evaluate the formula used to measure a building's net income, and improve profit and loss information to facilitate better property management decisions.

AGENCY ACTIONS: PBS developed a strategy for restructuring the owned building inventory. The strategy envisions a combination of actions including disposals. exchanges, public/private partnerships, outleases, and new construction. With the Portfolio Restructuring Initiative, PBS has proposed a three-tiered approach in prioritizing the inventory, using a series of asset diagnostic tests or measures, each with a performance target or threshold that will assist in categorizing individual buildings. The first test simply seeks to determine whether the property produces sufficient income to meet both operating expenses and a reserve for replacement. The second test measures an asset's financial performance in terms of return on investment. Other tests address operating efficiency, customer satisfaction, rental rate and vacancy levels, and current repair and replacement needs. After this performance review, each asset will be categorized as either performing, under-performing, or non-performing. GSA will consult with affected agencies on appropriate resolution strategies for each troubled asset. GSA has briefed congressional subcommittees with jurisdiction over GSA, and they are very supportive of this effort, as are OMB and GAO.



# Supplemental Information and Other Reporting Requirements

Management has developed a PBS-wide environmental system to become more proactive in how it views and acts on environmental issues and to address issues such as property contamination, compliance with Federal and state environmental laws and regulations, and liability for tenant activities. PBS also developed a more comprehensive fire safety strategy, which endeavors to provide a functional, safe, and healthful work environment; protect property; and promote client agency mission continuity.

PBS redesigned its policy for charging rent to customer agencies in FY 1997. The largest source of income to the FBF is the rent charged by PBS to its customer agencies for the space they occupy in GSA controlled space. In FY 2003 this amount was estimated to be \$6.6 billion.

The construction excellence program was established to help PBS improve the management of its construction program and to complete new construction and major R&A projects timely and with minimal changes.

# **HUMAN CAPITAL**

workforce and faces significant potential loss of institutional knowledge in the coming years. Since 1993, GSA has been downsizing and has focused on restructuring its financial and business efforts. The Agency workforce was reduced from 20,000 to 14,000 between 1993 and 1999. Much of the downsizing was accomplished through early retirement and buyout authority, and by filling job vacancies sparingly. In March 2003, a mass transfer of 1,268 employees to the DHS further reduced the workforce to approximately 12,800.

Since 1998, the OIG has consistently cited human capital management as one of the major management challenges facing GSA. Additionally, Congress and GAO have identified human capital management policies as a missing link in the government's performance management framework. GAO added this issue to its list of major management challenges facing Federal agencies.

Human capital planning and organizational alignment, leadership continuity and succession planning, and recruitment and retention of staff with the right skills were identified as key areas needing attention.

AGENCY ACTIONS: GSA has moved on several fronts to meet identified human capital challenges. The Agency recently completed an Agency-level workforce analysis that parallels GSA's Human Capital Strategic Goals that were developed as part of the strategic plan in August 2002. The report will assist management in making informed human capital decisions. Identified MCOs are particularly emphasized in recruitment and retention strategies. The OCPO selectively uses human resources flexibilities to compete for employees. It has developed recruitment and retention strategies with the help of OPM and employee focus groups, and uses the "compelling job offer" technique to convince potential employees of the importance of the position.

GSA has a number of initiatives regarding employee orientation, engaging existing employees, and developing leaders within GSA. New employees are provided the opportunity to attend an intensive two-and-a-half-day to five-day "welcome to GSA," an orientation to the individual's specific organization.

GSA issued a contract with the Gallup Organization for administration of the Q12 survey that provides a snapshot of how well the Agency is doing, where specific improvements can be made, and the level of employees' engagement at the workplace.

In its efforts to more accurately and consistently inventory its activities under the FAIR Act, GSA's competitive sourcing team oversees each Service's inventory and reports on any discrepancies or variances, and it established the OPI that will oversee the competitive sourcing initiatives for GSA.

As part of its human capital strategy and to address planning needs, the OCPO launched the GSA Leadership Institute in February 2002 with the implementation of its

premier program, Leadership for New Supervisors, designed to help new supervisors master skills to lead their workforce to achieving excellent results. Added in June 2002, the Agency-wide competitive Advanced Leadership Development Program provides an opportunity for high potential GS-13s, 14s, and 15s to be selected into a program that will equip them for consideration for senior level positions. In December 2002, the Institute launched the Supervisory Toolbox, a nuts and bolts two-day workshop for all supervisors and managers on the human resources responsibilities, flexibilities, and resources necessary to be effective supervisors. The Leading Edge Program, announced in April 2003, offers managers an opportunity to customize a development program keyed to GSA's leadership competencies, including a 360-degree assessment, executive coaching, and workshops. Additional programs are being crafted to help develop the Agency's future leaders.

# PROTECTION OF FEDERAL FACILITIES AND PERSONNEL

ISSUE: Providing a safe, healthful, and secure environment for over one million workers and the visitors to over 8,600 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. The increased risks from terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. In March 2003, the FPS was transferred from GSA to the DHS. While FPS is no longer part of GSA, the Agency will have a continual need to closely interact with security personnel due to GSA's mission of housing Federal agencies. GSA and FPS/DHS operate under a Memorandum of Agreement (MOA) for obtaining services such as basic security for buildings, contract guards, law enforcement, background suitability determinations for contractors (including child care), prelease security checks, occupant emergency plan support, and continuity of operations plan activation support.

Ensuring that Federal employees have a secure work environment and that building assets are adequately safeguarded must remain a primary concern of GSA.

An additional concern relates to how to pay for the upgrades and replacement of the security countermeasure equipment that was initially obtained with \$140 million in funds provided directly by Congress. As equipment ages and technology advances, the cost to maintain the security of GSA's buildings could significantly impact availability of funds for other building needs, and could create significant issues if tenants object to higher rent costs resulting from upgraded security.

AGENCY ACTIONS: As part of the FPS transition to the new department, a MOA was prepared, setting forth the support services GSA will provide to DHS and the security services DHS will provide to GSA. Such services include the continuation of the Federal Security Risk Manager (FSRM) Program, a risk assessment methodology that addresses potential threats to Federal facilities. This methodology was designed to link threats, risk levels, and countermeasure recommendations, and address vulnerabilities and impact of loss should an incident occur. The desired goal is to reduce threats at each facility through specific countermeasures to address the risks.

In addition, as part of the increased focus on security, GSA is adopting a nationwide uniform credential, based on Smart Card technology. A smart chip embedded in the credential will identify each employee visually and electronically for both identification and physical access purposes.

# Supplemental Information and Other Reporting Requirements

# **DEBT MANAGEMENT**

utstanding debt from non-Federal sources decreased from \$17.5 million at fiscal year-end 2003 to \$12.2 million at fiscal year-end 2004. The amount of delinquent debt decreased from \$10.2 million to \$7.7 million for the same period. Non-Federal receivables consist of debts owed on third-party claims, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the U.S. Department of the Treasury Financial Management Service (FMS) for collection cross servicing. October 1, 2003 to September 30, 2004, the GSA Finance Centers referred approximately \$6.4 million of delinquent non-Federal claims to the Treasury Department for crossservicing collection activities. Collections on non-Federal claims during this period exceeded \$240 million. Administrative offsets resulted in additional collections of \$13.8 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PAD). From October 1, 2003 to September 30, 2004, 125 PADs totaling \$131,891 were processed. Also, during this period, \$9.7 million was received from the Department of Justice to settle an investigation of billing discrepancies on two GSA MASs.

GSA actively pursues delinquent non-Federal claims using installment agreements, salary offset, administrative wage garnishment, and any other statutory requirement or authority that is applicable. Through an outside contract arrangement, GSA actively reviews and pursues overpayments, in conjunction with its PBS and FTS Accounts Payable Division associates. GSA is continuing to remove all non-paying claims over two years old from open receivables. All two-year-old claims without collection activity were researched and collected or written off. GSA has in place a plan to review delinquent accounts and contact debtors, especially those approaching two years old, on a quarterly basis. These claims are researched and either collected or written off. GSA also holds meetings with some of its larger customers, such as the District of Columbia government and the National Institute for the Blind/National Institute for the Severely Handicapped (NIB/NISH), to discuss and arrange payment of outstanding bills.

# CASH AND PAYMENTS MANAGEMENT

The Prompt Payment Act along with the Debt Collection Improvement Act of 1996 requires the timely payment of commercial obligations for supplies and services using EFT. GSA reviews and modifies, if needed, its procedures continuously to ensure prompt payment utilizing EFT. GSA has shown marked

improvement in the percentage of invoices paid electronically and on-time while reducing the percentage paid late and the dollar amount per million disbursed even when the number of invoices paid and the dollars disbursed have increased. The statistics for the current and preceding two fiscal years are as follows:

	FY 2002	FY 2003	FY 2004
Total Number of Invoices Paid	1,197,817	1,298,134	1,390,406
Total Dollars Disbursed	\$15.9 Billion	\$19.1 Billion	\$20.8 Billion
Total Dollars of Interest Penalties	\$1,025,381	\$1,690,335	\$779,835
Interest Paid per Million Disbursed	\$105.00	\$95.00	\$39
Percentage of Invoices Paid On Time	91%	93%	98%
Percentage of Invoices Paid Late	7%	1%	1%
Percentage of Invoices Paid Electronically	81%	88%	92%

# Appendices

#### HISTORIC HIGHLIGHTS

Opened its first childcare center in 1987 and today operates 111 centers across the country.

Merged all of GSA's policy functions into the Office of Governmentwide Policy.

Introduced its associates to the Internet 1996 and intranet and spurred the development of electronic commerce through GSA

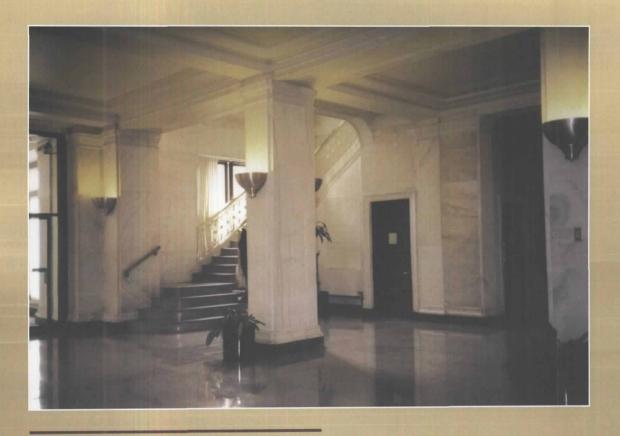
Advantage!™

1988

GSA transferred the strategic stockpile of war supplies to the Department of Defense.

2002

Consolidated all of GSA's citizen-centered activities into a single organization, the Office of Citizen Services and Communications. The office provides access to information in whatever medium citizens prefer - the Internet, email, telephone, fax or print. OCSC manages FirstGov.gov USA Services.



In 1999, GSA initiated a demonstration "First Impressions" project in the lobby, which included replicating the original corridor lighting.

#### APPENDIX 1: DATA SOURCES

#### FINANCIAL DATA SYSTEMS

**PEGASYS:** Pegasys became GSA's official accounting system of record on October 1, 2002. Among many modern features that this COTS solution provides GSA, the functionality of the new USSGL addresses external reporting requirements and assists in the consolidated Federal financial statements. Pegasys was upgraded to version 5.1 in April 2004. The upgrade allowed GSA to advance to the software version, which is compliant with the most recent Federal legislative requirements and holds the most current JFMIP certification. The upgrade also allows GSA to utilize numerous enhancements that have been made to the software, including automation in the area of external reporting.

#### DATA FROM LARGE COMPUTER SYSTEMS

GPDS: GPDS (General Services Administration Procurement Data System) is a computer-based procurement information system developed to collect and edit GSA procurement data prior to submission to the Federal Procurement Data System (FPDS), and, as the only GSA-wide procurement information system, provides GSA managers at all levels with information on GSA acquisition operations. As GSA's FPDS "feeder system," the GPDS enables FPDS to meet its objectives of collecting, developing, and disseminating data to be used for management, oversight, and evaluation of Federal procurement by Congress, the executive branch, and the private sector. GPDS receives data from Comprizon.Buy monthly downloads, STAR downloads, and Pegasys quarterly downloads.

The FPDS, which is operated and maintained by the GSA Federal Procurement Data Center, is the central repository of statistical information on Federal contracting; it contains detailed information on contract actions over \$25,000 and

summary data on procurements of less than \$25,000. The system identifies who bought what, from whom, for how much, when, and where for all of the executive departments and agencies.

STAR: STAR (System for Tracking and Administering Real property) is the primary tool used by PBS to track and manage the government's real property assets and to store inventory data, billing data, building data, customer data, and lease information. The STAR application assists PBS in supporting its business process and has been redesigned to more closely mirror that of commercial real estate business processes. STAR promotes responsible asset management, which in turn allows PBS to compete more effectively and efficiently in the Federal real estate market. Additionally, it provides direct access to business data supporting the management of space and customer billing records. STAR manages aspects of real property space management. including identification of all building space, daily management of 22,000 assignments, and monthly billing for all property to its client Federal agencies. The application is used to generate the annual billing and collection of over \$6 billion in rent from Federal agencies.

# DATA FROM MANUAL OR SMALL FEEDER COMPUTER SYSTEMS

IRIS: IRIS (Inventory Reporting Information System) documents and schedules all identified R&A building needs. IRIS tracks the execution of construction projects through the design and construction phases, helps conduct longrange planning, and assists in developing the Budget Activity F&A programs annually. IRIS is a repository for fully scoped projects and their associated detailed cost estimates. During FY 2004, IRIS redeveloped a client-server application to a fully Web-enabled application. The first phase of the development was the IRIS Safety module, which was successfully deployed in March of 2004.

## Appendix 1: Data Sources

The Work Items module is currently under redevelopment and will be completed in FY 2005. These enhancements will allow the user to access the application from any authorized desktop giving the user the ability to use IRIS while traveling or telecommuting.

EAS: EAS (Electronic Acquisition System), or Comprizon, supports the daily business of acquisition for PBS associates nationwide. This system streamlines the flow of work within each business area by providing nationwide acquisition preparation, tracking, and reporting. sophisticated system designed for government acquisition practices includes requisition tracking, acquisition planning, contract awarding, contract administration, payment transfers, and contract closeout functions. EAS has undergone many subsequent upgrades and is currently moving to an enhanced centralized Web-based version product called Comprizon. Suite. This upgrade represents a major step towards more reliable, faster, and user-friendly systems for PBS associates. Future improvements for EAS are targeted, which will accelerate and simplify the way PBS does business by building a stronger tie to Pegasys and Electronic Posting Sites, such as FedBizOps and FedTeDs, thus improving the accuracy of data in support of eGov initiatives and offering "anywhere, anytime" access to users.

RENT ESTIMATE: Rent Estimate is a PBS Enterprise application that uses source information from back-office systems and applications, such as STAR, Appraisal Data System, and Galaxy to estimate rent for Federal clients. To support Federal agencies in their budgeting process, PBS provides the Rent Estimate at least 18 months prior to the start of the fiscal year. Before the Rent Estimate can be distributed to Federal agencies, the President's OMB must approve the rates. These estimates are used by GSA's customers and by GSA in the budget formulation process.

**TOPS:** TOPS (Telecommunications Ordering and Pricing System) is a system, which automates the local telecommunications service business process, including ordering, billing, and reconciliation of telecommunication services. The purpose of the system is to decrease paperwork and provide faster processing and increased

customer agency satisfaction. TOPS allows Federal agencies to order telephone equipment and services online on a nationwide basis. This automated system cuts order handling and processing time and decreases the cost of the entire process of delivering telecommunications products.

OMIS: OMIS (Office of IT Integration Management Information System) is an operational system that provides an assortment of project financial capabilities to include project tracking, employee timesheets, project billing, project expense tracking, project fiscal reporting, and management tools/reports. OMIS provides the Federal Systems Integration and Management Center (FEDSIM) with a means of maintaining basic financial transaction information along with individual time accounting and management reporting capability. In addition, OMIS provides an interface to the GSA financial system of record, Pegasys. OMIS institutionalizes financial standards and methodologies, and provides for the financial management of FEDSIM's increasing business base while providing support directly to FEDSIM's management team, information for FEDSIM's Industry Partners, and FEDSIM clients. OMIS, in conjunction with Tracking and Ordering System (TOS), provides a full suite of contracting, finance, and project management capabilities for FEDSIM management, FEDSIM clients and FEDSIM industry partners.

**TOS**: TOS (Tracking and Ordering System) is an operational system that was developed and implemented in multiple phases. TOS initially supported the creation and processing of Letter Orders, delivery order tracking, and electronic invoicing by one vendor. In subsequent phases/upgrades, modules and functionality have been added to conform to the natural evolution of FEDSIM's business models. Specific examples include updates to allow for electronic bidding on commodities by vendors, electronic invoicing by all vendors, vendor notification that Delivery Orders have been issued, and electronic interfaces to other financial and accounting systems. In particular FEDSIM personnel have added interfaces with OMIS to facilitate more complete project management.

ITSS/ITOMS: ITSS/ITOMS (IT SolutionShop/Integrated Task Order Management System) provides for electronic ordering and acceptance of commodities and services, and computes and posts financial transactions associated with order funding and order payment. ITSS is an online procurement system for IT products and services. ITSS electronically links Federal clients, vendors, and FTS customer service representatives; it is available 24 hours a day, seven days a week for the geographically dispersed Federal clients to use in ordering IT products and services from their desktops. ITOMS is the financial management system for ITSS orders which creates the financial transactions sent to the financial system of record, Pegasys.

Both ITSS and ITOMS were developed in response to a critical need to move away from paper-intensive processes. Because of increasing business volume of the IT Solutions business line, the repetitive data entry and redundancy required unacceptable levels of time and effort to reconcile financial records of the regions and central office. Internet based ITSS/ITOMS provides an end-to-end electronic order processing solution that supports FTS staff, customer agencies, and vendors. It provides an electronic path for defining, issuing, awarding, and monitoring tasks.

MAA STATUS TRACKING TOOL: The MAA (Metropolitan Area Acquisition) Tracking Tool is a Lotus Notes application. It was designed originally to help with project management in implementing the MAA, a local telecommunications contract vehicle, which provides greatly reduced rates to Federal agencies in metropolitan areas. The tracking tool continues to be used to track new MAA business in the post-implementation environment as well as to generate various workload statistics such as MAA savings to date, the mean time from order issuance to order completion, etc.

COMMERCIAL ACQUISITION AND SUPPLY OPERATING AND MANAGEMENT INFORMATION SYSTEM (FSS-19): FSS utilizes both systems for tracking sales data. They are password protected and conform to the GSA Information Security Policies and Procedures. Schedule data is reported quarterly and is verified by site visits to the contractors.

**TARPS:** TARPS (Transportation Accounts Receivable and Payable Systems) provides performance data for measures aimed at cost recoveries resulting from audits of FSS transportation billings.

**ROADS:** ROADS (Requisitioning, Ordering, and Documentation System) captures contract pricing for vehicles for FSS. Security for this system is maintained by limited access and password protection.

**FEDS:** FEDS (Federal Disposal System) provides data for FSS transferred and donated property.

**FSS SALES AUTOMATION SYSTEM:** Data for sales proceeds is obtained from this system.

#### BENCHMARK DATA FROM EXTERNAL SOURCES

BOMA: The industry benchmarks are from BOMA (Building Owners and Managers Association). BOMA is an advocacy group for the real estate industry, a federation of 94 local associations whose members own or manage more than six billion square feet of downtown or commercial properties and facilities across the United States. BOMA is recognized for its expertise in the field of real property, frequently testifying before Congress, and working with property holding agencies. The Experience Exchange Report is a database that contains building operations statistics on more than 4,000 buildings throughout the United States. It is used extensively in the private sector and it is an accurate source for industry operating data that is comparable to that of PBS.

**SIOR**: Industry benchmark data is obtained from SIOR (Society of Industrial and Office Realtors). SIOR is a commercial network and its publications are valuable tools in determining current trends and market rates from which GSA can benchmark. Member professionals, who work in each reported market, develop the market information used by SIOR. However, the regions have the option to use other market sources if the SIOR data no longer reflect local market conditions, or are unavailable for a market.

## APPENDIX 1: DATA SOURCES

#### **DATA OBTAINED UNDER CONTRACT**

**GALLUP:** Customer satisfaction measures for PBS are compiled and processed by The Gallup Organization. The Gallup Organization has been the world leader in the measurement and analysis of people's attitudes, opinions, and behavior for over 60 years. The statistical confidence level of the data obtained from Gallup is 95 percent. As a result of this professional assistance, the level of confidence in this data is very high. There is every assurance that the customer satisfaction information is credible and that it is verifiable and valid. Also, the customer satisfaction measures have been audited within the last three years.

Gallup also conducts employee engagement surveys for all of GSA. The Gallup Q12 survey measures associate attitudes to differentiate the top-performing workplaces from the average and low-performing ones. This is

accomplished by the administration of an Agency-wide survey that has been professionally designed and validated and that asks associates to respond to questions that most closely capture their perceptions of their workplace environments, thereby deducing what is defined as associate engagement. Gallup is encouraging users of the Q12 survey to move away from percentile comparisons, and are no longer providing GSA with percentile information.

MITRETEK SYSTEMS: The periodic comparison of commercial rates versus the rates that are charged customers, under the FTS 2001 telecommunications programs, are performed by Mitretek. Mitretek has developed specialized computer models to analyze telecommunications cost.

### APPENDIX 11: SUMMARY CHART OF GOALS AND MEASURES

As GSA moves towards complete integration of budget and performance, it has replaced its stand alone Performance Plan with a Performance Budget. The following measures and targets were used in FY 2004 and were reflected in the FY 2005 Congressional Justifications, not the FY 2004 Performance Plan (dated April 2003). The 21 Key Performance Measures are highlighted below. The results for the remaining performance measures will be published on GSA's Web site in December, 2004 (www.gsa.gov/annualreport). A list of measures reported in the FY 2003 Performance and Accountability Report (PAR) that are no longer reported externally can be found in Appendix III. Dollars in millions (M).

	PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 TARGET	FY 2004 ACTUAL	RESULTS
: PRO	VIDE BEST VALUE FOR CUST	OMER AGENCIES AND TAXPA	YERS			110.11		
PBS	Achieve a highly satisfied overall customer satisfac- tion level of 68% by FY 2004.	Percent highly satisfied tenants in leased space.	82%	84%	66%	68%	70%	Goal Met
PBS	Deliver leased space to our clients at not less than 8% below industry for office space in NY 2004.	Cost of leased space relative to the market.	11.0%	14.0%	7.41%	8.0%	10.6%	Goal Met
PBS	Achieve an overall "highly" satisfied customer satisfaction rating of 73% on the ordering official survey by FY 2004.	Percent of highly satisfied customers on the ordering official survey.	59%	66%	72%	73%	TBD	TBD
PBS	Execute energy conservation goals while increasing customer satisfaction rating to 69% by FY 2004 in owned space.	Percent of highly satisfied tenants in owned space.	N/A	N/A	67.6%	69.0%	TBD	TBD
PBS	Attain a highly satisfied customer satisfaction score of 75% on the quality of service delivered by FY 2004.	Percentage of customers indicating satisfaction on annual customer survey. (Real Property Disposal)	N/A	N/A	75%	75%	TBD	TBD
PBS	Maintain "highly satisfied" ratings of 93% on the Property Disposal Survey.	Percentage of customers indicating satisfaction on customer property disposal transactional surveys.	N/A	N/A	90%	92%	TBD	TBD
PBS	By FY 2004, Real Property Disposal will complete 73% of 49 Act disposals within 320 days.	Percentage of disposals completed within 320 days.	N/A	N/A	68%	73%	TBD	TBD
FSS	Maintain 20% or better dis- count from manufacturer's invoice price. (Vehicle Acquisition)	Percentage discount to customers from invoice price.	19.1%	27.3%	26.3%	≥20%	33.1%	Goal Met
FSS	Increase fill rate by 0.1% per year from 95.2% to 95.4% while maximizing inventory turns.	Fill rate for requisitions.	N/A	N/A	95.3%	95.3%	TBD	TBD

# Appendix II: Summary Charts of Goals and Measures

	PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 TARGET	FY 2004 ACTUAL	RESULTS
1: PROV	/IDE BEST VALUE FOR CUST	OMER AGENCIES AND TAXPA	YERS		11-11			
FSS	Increase customer satisfaction to the 75th percentile or better for customer satisfac-	GSA Global Supply external customer satisfaction survey score.	N/A	75	79.6	79	TBD	TBD
	tion in the government.	GSA Automotive external customer satisfaction survey score.	N/A	78.7	75.7	78	TBD	TBD
		GSA Fleet external customer satisfaction survey score.	N/A	83	83.7	83	TBD	TBD
		Personal Property Management external customer satisfaction survey score.	N/A	73	75	77	TBD	TBD
		Travel Program external customer satisfaction survey score.	N/A	72	72	71	TBD	TBD
FSS	Manage direct costs to ensure that best value is provided to customer agen- cies and the taxpayer.	Direct cost as a percentage of revenue. (Commercial Acquisition)	N/A	11.6%	11.9%	11.7%	TBD	TBD
FSS	Increase the number of Federal agency customers through TMSS.	Number of TMSS users.	N/A	N/A	N/A	1850	TBD	TBD
FTS	Provide Federal customers with substantial savings as a result of purchasing FTS telecommunications products and services.	FTS Telecommunications pricing as compared to best commercial prices.	N/A	\$32.8M	\$574.1M	\$514M	\$705M	Goal Met
FTS	Effectively plan and manage the post award implementation of the Networx contract.	Manage post award milestones Planned vs. Actual. (Long Distance)	N/A	N/A	N/A	TBD	TBD	TBD
OGP	Develop and issue effective guidance and policies in support of the Federal E-Authentication initiative.	Number of agency applications meeting E- Authentication credential- ing policy standards. (out of universe of 24)	N/A	N/A	N/A	4	2	Goal Not Met
OGP	Deliver assisted services that demonstrate acquisition and project management excel- lence and result in solutions that meet customer mission requirements.	Number of agencies using Federal Identity Credentialing Committee policy standards for creden- tialing employees and contractors.	N/A	N/A	N/A	7	TBD	TBD
OGP	Establish a Component Organization and Registration Environment Registry and increase adoption of common business processes and/or key components that enable these processes.	Number of common business processes and/or key components adopted by Federal programs.	N/A	N/A	N/A	12	TBD	TBD
OCSC	Leverage FirstGov technologies and solutions across the Federal government.	Tax dollars saved as a result of agencies sharing FirstGov technologies.	N/A	\$9.0M	\$18.0M	\$30.6M	\$19.8M	Goal Not Met

	PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 TARGET	FY 2004 ACTUAL	RESULTS
: PRO\	VIDE BEST VALUE FOR CUST	OMER AGENCIES AND TAXPA	YERS conti	inued				
OCSC	Help the Federal govern- ment become more citizen- centric by increasing the magnitude, quality, and out- reach of Federal information via various channels.	Total number of multi-chan- nel contacts with the public (citizen, business, govern- ment) per year.	40.8M	59.1M	209.7M	224.9M	241.9M	Goal Met
OCSC	Government Web sites that are citizen-centric and user friendly.	Agencies adopting FirstGov common content model.	N/A	N/A	0 of 75	4 of 75	TBD	TBD
OCAO	80% of all changes to the Federal Acquisition Regulation are accomplished within 40 weeks.	Percent of new FAR rules completed within 40 weeks.	N/A	10%	10%	80%	TBD	TBD
OCAO	Increase GSA Performance Based Service contracting actions.	Percent of GSA eligible service contract dollars awarded as performance- based contracts.	15%	9%	24%	40%	TBD	TBD
: ACHI	EVE RESPONSIBLE ASSET N	ANAGEMENT			100			
PBS	Maintain the amount of vacant leased space in PBS's leased inventory at 1.5% in FY 2004.	Maintain vacant space in the existing inventory of space leased by PBS.	2.2%	2.0%	1.4%	1.5%	1.2%	Goal Met
PBS	New construction projects on schedule 84% of the time by FY 2004.	Percent of construction projects completed on schedule.	75%	78%	68%	84%	80%	Goal Not Met
PBS	Improve the percentage of repairs and alterations projects on schedule to 86% in FY 2004.	Percent of R&A Projects on schedule.	75%	87%	78%	86%	78%	Goal Not Met
PBS	Obligate 75% of Basic Repairs and Alterations budget for planned projects by the end of FY 2005.	Percent of basic R&A obligated on planned projects by the end of the fiscal year.	N/A	N/A	N/A	Baseline	TBD	TBD
PBS	Maintain the percent of escalations on R&A projects at or below 1.5% by FY 2004.	Percent of escalations on R&A projects.	(1.0%)	3.0%	0.5%	1.5%	TBD	TBD
PBS	Increase to 65% the percentage of government-owned assets with a Return on Equity of at least 6% by FY 2004.	Percentage of government- owned assets with an ROE of at least 6%.	N/A	54%	64%	65%	TBD	TBD
PBS	Increase the percentage of owned assets with a positive Funds From Operations to 75% by FY 2004.	Percentage of government- owned assets achieving a positive FFO.	N/A	74%	73%	75%	TBD	TBD
PBS	Funds From Operations from leased inventory should be no less than \$0 in FY 2004.	Funds From Operations from leased inventory.	N/A	\$78M	\$45M	\$0	TBD	TBD

# Appendix II: Summary Charts of Goals and Measures

	PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 TARGET	FY 2004 ACTUAL	RESULTS
ACHI	EVE RESPONSIBLE ASSET M	ANAGEMENT continued		377		7771		
PBS	Decrease the vacant (available and committed) space to 7.6% of the owned inventory by FY 2004.	Percentage of vacant and committed space in the government-owned inventory.	N/A	9.2%	8.3%	7.6%	TBD	TBD
FTS	Improve the financial condition of Professional Services.	Direct operating expense as a percentage of gross margin.	N/A	N/A	N/A	52%	TBD	TBD
FTS	Improve the financial condition of the IT Fund.	Direct operating expense as percent of gross margin. (Regional IT Solutions)	N/A	50%	57%	48%	TBD	TBD
		Direct operating expense as percent of gross margin. (National IT Solutions)	N/A	82%	81%	67%	TBD	TBD
		Direct operating expense as percent of gross margin. (Regional Telecommunications)	N/A	52%	59%	67%	TBD	TBD
		Direct operating expense as percent of gross margin. (Long Distance)	N/A	33%	95%	52%	TBD	TBD
OGP	Improve software asset management in government.	Number of agencies (out of 24 major agencies) that implement the standard software asset management policy.	N/A	N/A	N/A	4	TBD	TBD
OGP	Increase the number of Federal programs using effective Web-enabled real property management systems.	Number of Federal programs with effective Web-enabled software for the management of real property.	N/A	N/A	N/A	3	TBD	TBD
OGP	Implement eTravel Service.	Number of vouchers processed through eTravel Service.	N/A	N/A	N/A	68,000	TBD	TBD
OPE	RATE EFFICIENTLY AND EFFE	CTIVELY						
PBS	Maintain operating service costs in office and similarly serviced space at 12% or more below private sector benchmarks.	Cleaning/Maintenance/ Utility costs in office and similarly serviced space – percent below private sector benchmarks.	16.1%	17.0%	14.8%	13.4%	14.5%	Goal Met
PBS	Maintain the percentage of escalation on construction projects at 1%.	Percentage of escalations on construction projects.	6%	7%	0.6%	1.5%	TBD	TBD
FSS	Reduce the cycle time to process contract offers. (Commercial Acquisition)	Cycle time to process offers. (days)	115 Days	110 Days	92 Days	105 Days	87 Days	Goal Met
FSS	Reduce the mark-up for GSA stocked supply items toward the goal of 34.0%.	Percent of mark-up for stocked items.	N/A	48.5%	45.9%	45.0%	42.8%	Goal Met
FSS	Maintain the gap between GSA Fleet rates and commercial rates at 20% or more.	Percentage GSA leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.	N/A	N/A	36.86%	≥20%	31.67%	Goal Met

	PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 TARGET	FY 2004 ACTUAL	RESULTS
: OPE	RATE EFFICIENTLY AND EFFE	CTIVELY continued	THE	100			T THE	
FSS	Reduce cycle time to process modifications from 23 to 20 days. (Commercial Acquisition)	Cycle time to process modifications. (days)	N/A	23	16	22	TBD	TBD
FSS	Rationalize governmentwide Acquisition Contract's to reduce overlap and result in contract vehicles that are more complementary to MAS.	Percentage of new GWACs and GWACs with significant changes reviewed by Contract Vehicle Review Board.	N/A	N/A	N/A	100%	TBD	TBD
FSS	Ensure the timely, effective, and efficient disposition of excess and surplus personal	Cycle time for disposal process (days) for personal property.	N/A	99	83	87	TBD	TBD
	property by decreasing the time it takes to complete disposal action for excess property from 99 to 86 days.	Percent of personal property reported electronically.	N/A	N/A	86%	99%	TBD	TBD
FSS	Maximize percentage discount savings from the City Pair Program.	Percentage discount from walk-up fare.	N/A	72%	72%	74%	TBD	TBD
FSS	Implement transition of Federal agencies to eTravel Service by Dec 31, 2004 and complete migration to eTS by Sept 30, 2006.	Number of agencies migrating to eTravel Service.	N/A	N/A	N/A	8	TBD	TBD
FTS	Increase operational capacity for Professional Services.	Number of FSS Schedules for which we provide acquisition support.	N/A	N/A	3	8	TBD	TBD
FTS	Meet customer require- ments for transaction cycle time.	Percent of negotiated award dates for service and commodities that are met or bettered. (Regional IT Solutions)	N/A	93%	91%	> 93%	88%	Goal Not Met
FTS	Meet customer requirements for transaction cycle time.	Percent of negotiated award dates for service and com- modities that are met or bet- tered. (National IT Solutions)	N/A	88%	95%	> 93%	TBD	TBD
ENS	JRE FINANCIAL ACCOUNTAB	ILITY	7 T. T.	-	117.00		Name of Street	
FSS	Consolidate other agencies' vehicles to reduce the overall cost of fleet to the government.	Annual Savings to the government (\$ million) per cost benefit study.	N/A	\$1.87	\$3.10	\$3.56	TBD	TBD
CFO	Increase the percentage of vendor invoices received by Electronic Data Interchange through the Internet.	Percent of vendor invoices received electronically.	24%	38%	44%	50%	56%	Goal Met
CFO	Increase the percentage of vendor payments by electronic media such as Electronic Funds Transfer and purchase card.	Percent of vendor payments paid electronically.	79%	79%	88%	85%	92%	Goal Met

# Appendix II: Summary Charts of Goals and Measures

	PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 TARGET	FY 2004 ACTUAL	RESULTS
5: MAII	NTAIN A WORLD-CLASS WOR	RKFORCE AND WORLD-CLASS	WORKPL	ACE	-1 - 1	III HELD	4100	10.2
OCAO	Increase the use of Federal Acquisition Institute Online training.	Number of FAI online training instances completed.	N/A	19,280	19,390	21,300	TBD	TBD
СРО	Increase GSA associate engagement.	Percentile rank in the Gallup Q12 survey, which measures the engagement of the workforce.	N/A	67th	75th	75th	69th	Goal Not Met
		Grand Mean Score	N/A	3.76	3.83	3.88	3.89	
6: CAR	RY OUT SOCIAL, ENVIRONM	ENTAL AND OTHER RESPONS	SIBILITIES	AS A FEDER	AL AGENCY			
PBS	Improve energy reduction in standard facilities to 22.6% below the FY 1985 baseline by FY 2004.	Percent reduction on energy consumption from FY 1985 baseline.	18.4%	22.5%	18.6%	22.6%	22,4%	Goal Not Met
FTS	Obtain best value solutions through competition.	Percent of task and delivery orders subject to fair oppor- tunity process. (Regional IT Solutions)	70%	70%	86%	> 85%	96%	Goal Met
		Percent of task and delivery orders subject to fair oppor- tunity process. (National IT Solutions)	N/A	70%	86%	> 85%	TBD	TBD
		Percent of task and delivery orders subject to fair oppor- tunity process. (Regional Telecommunications)	N/A	N/A	N/A	>60%	TBD	TBD
		Percentage of dollar value of eligible service orders awarded with performance- based statements of work. (Regional IT Solutions)	N/A	N/A	N/A	40%	TBD	TBD
		Percentage of dollar value of eligible service orders awarded with performance- based statements of work. (National IT Solutions)	N/A	N/A	N/A	40%	TBD	TBD
		Percentage of dollar value of eligible service orders awarded with performance- based statements of work. (Regional Telecommunications)	N/A	N/A	N/A	40%	TBD	TBD
OSBU	Meet or exceed goal of pro- viding contracting opportu- nities to small businesses.	Percentage of contracting opportunities provided to small business.	40.1%	44.35%	45.72%	43.0%	TBD	TBD

## APPENDIX 111: PERFORMANCE GOALS AND MEASURES NO LONGER REPORTED

In FY 2004, GSA made a conscientious effort to reduce the number of goals reported externally in order to highlight the goals that can accurately and succinctly reflect GSA's performance. The complete list of FY 2004 Performance Goals can be found in Appendix II. The following goals are no longer being reported externally.

	PERFORMANCE GOALS	PERFORMANCE MEASURES
1: PRO	OVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYER	s
PBS	Improve customer satisfaction scores.	Realty services satisfaction survey.
PBS	Maintain a 90% tenant satisfaction rating in newly constructed buildings.	Improve customer satisfaction in newly constructed buildings.
FSS	Increase value to the customer; provide creative solutions, innovative services, and products.	Growth in Federal agency usage of FSS programs.
FTS	Increase customer satisfaction, indicating progress in service delivery at best value.	Percent of customers indicating satisfaction on annual customer survey.
FTS	Assist customers in achieving savings in the acquisition of products and services. (Network Services – Regional Telecommunications)	Cost savings in major metro areas.
OGP	Ensure adoption of Federal Premier Lodging (FPLP) within the 77 target markets to meet Federal travelers' needs, reducing overall government spending.	Dollar savings to government over corporate rate.
OGP	Move Federal agencies to commercial payment process for mail to drive agencies to be more strategic in their operations.	Dollar values of payments to USPS made through commercial processes.
OGP	Support authentication needs for eGov initiatives.	Number of eGov initiatives with completed authentication needs assessments and determined solution sets.
OGP	Facilitate the consistent use of XML for Federal eGov initiatives.	Number of eGov initiatives adopting XML recommendations.
OGP	Increase the number of agency programs using OGP-facilitated performance measures.	Number of agency programs that use OGP-facilitated performance measures.
OCSC	Participate formally in the governance structure of all eGov and Homeland Security initiatives that have State/local implications.	Number of eGov initiatives with state/local implications that the Office of Intergovernmental Solutions is part of the governance structure.
		Desired level of state, local, and international participation in Federal IT projects.
OCSC	Improve position of GSA as valuable information resource for all audiences.	Process improvements and management reforms implemented.
	audiences.	Number of GSA.gov Web site pages views.
OPI	Meet OMB targets for study and/or direct conversion of commercial FTEs as reported on GSA FAIR Act Inventory.	Number of FTE positions studied. Dollars saved.
2: ACH	IEVE RESPONSIBLE ASSET MANAGEMENT	
PBS	Increase overall potential revenue.	Percent of potential revenue received.
PBS	Increased Funds from Operations.	Funds from Operations.
PBS	Reduce the amount of non-revenue producing space to 10.4% in government-owned inventory in FY 2004.	Percent of non-revenue producing space in government-owned inventory.
PBS	Reduce the amount of non-revenue producing space in the leased inventory.	Percent of non-revenue producing space in leased inventory.
CIO	Provide a secure IT environment.	Percent of high-risk vulnerabilities resolved within the 30-day of report.

## Appendix III: Performance Goals and Measures no Longer Reported

	PERFORMANCE GOALS	PERFORMANCE MEASURES
: OPE	RATE EFFICIENTLY AND EFFECTIVELY	
PBS	All new buildings to be LEED certified.	Improve percentage of new buildings LEED registered.
PBS	Reduce operating costs.	Operating cost per \$100 business volume.
FTS	Provide timely and effective telecommunications service.	Average number of days to complete contract modifications for FTS 2001 and for crossover.
FTS	Improve acquisition process and methods to reduce time to award for local telecommunications.	Average number of days to complete contract modifications.
FTS	Provide timely and effective service delivery.	Percent of time negotiated completion date for local network service is met or bettered.
FTS	Provide competitive prices to customers.	Percent of dollar savings between Independent Government Cost Estimates (IGCE) and award amounts.
OGP	Improve clarity of OGP polices, regulations and guidelines to increase efficiency of government management and operations.	Number of significant regulations and guidelines updated.
OGP	Increase sharing of management systems to allow for better decisions-making, accountability, and cost avoidance.	Number of agency programs that use OGP shared managemen systems to support decision-making.
OGP	Implement President's Management Agenda for competitive sourcing (identifying and competitively sourcing or directly converting commercial functions).	Percent of OGP Fair Act inventory competed or directly converted.
CIO	Improve Capital Planning and Investment control and implantation process.	Percent of major IT investment projects that are within 10% of planned cost and schedule.
CIO	Improve Capital Planning and Investment control and implantation for the 5 GSA led eGov initiatives.	Percent of the major 5 GSA led eGov initiatives IT investment projects that are within 10% of planned cost and schedule.
CIO	Provide secure, reliable, and cost effective IT infrastructure services.	Percent of customer satisfaction.
: ENSI	JRE FINANCIAL ACCOUNTABILITY	
FSS	Ensure accurate forecasting and cost management to leverage operations and optimize pricing.	Planned vs. Actual costs.
	<ul> <li>Includes direct operating expense, procurement support, supply distribution, and rent.</li> </ul>	Direct cost as percent of revenue (revenue is total sales figure)
	<ul> <li>Includes all costs of operations, prior year adjustments, and depreciation.</li> </ul>	Total cost as percent of revenue.
FTS	Increase business volume.	Percent of growth in business (revenue).
FTS	Achieve net operating results to increase retained earnings in IT fund for future capital investments.	Net operating results.
FTS	Implement business process efficiencies to reduce cost of delivering products.	Direct operating expenses as a percent of gross margin.
FTS	Ensure full cost recovery of operations.	Contribution Index.
CFO	Meet all requirements to maintain a clean opinion on GSA's financial statements.	Receive clean opinion on financial statements.
OCFO	Eliminate material weaknesses for financial and non-financial components under FMFIA.	Zero internal control material weaknesses (financial and non-financial components).

	PERFORMANCE GOALS	PERFORMANCE MEASURES
5: MAI	NTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WO	PRKPLACE
PBS	Improve customer productivity scores.	Improve Reality Transaction Survey, Productivity.
FTS	Recruit, hire, develop, and retain a highly skilled workforce.	Percent of IDPs updated annually and documented.
		Average number of training hours completed in mission critical areas of acquisition technology, business, and project management.
OGP	Achieve 55th percentile ranking in the Gallup Q12 Survey.	Performance Ranking in the Gallup Q12 Survey.
OGP	Increase participation at OGP supported educational venues and activities to increase workforce efficiency.	Number of participants at OGP supported educational venues and activities.
OGP	Develop a competency based assessment process for GSA acquisition workforce.	Number of GSA 1102's who complete competency assessment process.
		Percent of GSA 1102's that fully qualify under Clinger Cohen.
ОСРО	Improve the value of GSA Online University.	Percent increase registrations.
ОСРО	Develop and implement strategies to address skill gaps in Mission Critical Occupations (MCO).	Reduce Gaps in MCO.
ОСРО	Rank in the 75th percentile in the Gallup Q12 survey.	Increase grand total mean score from the 67th to the 75th percentile.
ОСРО	Develop a stronger linkage between organizational and individual performance.	Develop new performance appraisal system linking appraisals to performance metrics.
6: CAR	RY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBI	LITIES AS A FEDERAL AGENCY
FSS	Increase customer agency support of governmentwide socioeconomic goals.	Percent of socioeconomic business volume.
FTS	Achieve and maintain an appropriate level of procurements with small business.	Percent of procurements with small business as compared to total prime contracts.
OGP	Provide accessible vendor product information to Federal agencies to support Section 508 procurement requirements to achieve an IT environment accessible to all citizens.	Number of vendors with templates on the "Buy Accessible" database.
OGP	Work with OPM to increase percent of Federal employees who telework.	Percent of Federal employees who telework.
OCSC	Disseminate strategic information messages to all audiences.	Move strategic messages to industry standards.

## APPENDIX IV: IMPROPER PAYMENTS INFORMATION ACT (IPIA)

#### RECOVERY AUDIT PROGRAM

GSA's recovery audit contractor came on board in April 2001 and initially performed an audit of GSA's disbursement records and vendor statement of accounts for FY 2000. This process continued for FY 2001 and 2002. In FY 2003 and 2004, recovery audit activities were expanded to include a review of our GSA's commodity and service contracts.

In FY 2003, a combined total of \$14.4 million in payment errors was discovered through internal reviews and recovery audit activities. Details regarding GSA's recovery audit program for FY 2003 are presented in the table below:

#### GSA's FY 2003 Recovery Audit Program Results (in dollars)

Total Agency Costs	\$ 1,517,734
Agency Salaries & Expenses	\$ 77,055
Total Contracted Expenses	\$ 1,440,679
Paid	\$ 1,234,204
Due	\$ 206,475

Total Payment Errors Identified	\$ 14,409,125
Discovered By Contractor	\$ 7,536,288
Amount Unrecoverable	\$ 0
Amount Recovered	\$ 7,128,262
Amount Outstanding	\$ 408,026
Discovered Internally By GSA	\$ 6,872,837
Amount Unrecoverable	\$ 0
Amount Recovered	\$ 3,988,333
Amount Outstanding	\$ 2,884,504

Since most of GSA's business dealings with vendors are of a reoccurring nature, it is anticipated that the vast majority of the outstanding balance will be successfully collected. During the life of the contract, the contractor has identified \$28.7 million in improper payments and GSA has recovered \$17.4 million of that amount.

The contractor has made recommendations to GSA to strengthen internal controls over improper payments in the PBS Lease Program. PBS has committed to dedicating more resources to lease administration activities to improve payment accuracy. Specifically, PBS has taken the following actions to strengthen internal controls and prevent further occurrences of improper payments:

- Initiated a recurring program of peer reviews of lease contracts to help identify and correct weaknesses in regional work processes.
- Assembled a task force to explore factors affecting the timely transmittal of lease documentation to GSA's finance center, as well as those factors affecting the timely data entry into GSA's accounting system.
- Launched E-lease, a new tool that has been in the pilot state that will provide uniform templates and a standard form for all lease transactions.

GSA will continue to be a valuable resource for those Federal agencies still needing to implement recovery audit programs. The management team at GSA recognizes the importance of reducing government waste and is firmly committed to reducing improper payments by carrying out an effective recovery audit program.

## APPENDIX V: ACRONYMS AND ABBREVIATIONS

3GS	3rd Generation System
AAPC	Accounting and Auditing Policy Committee
ACES	Access Certificates for Electronic Services
ADP	Automated Data Processing
AICPA	American Institute of Certified Public Accountants
ANSI	American National Standard Institute
APPAS	Associate Performance Planning and Appraisal System
AWTF	Acquisition Workforce Training Fund
BCA	Board of Contract Appeals
BOMA	Building Owners and Managers Association
BPA	Blanket Purchase Agreement
BTU	British Thermal Unit
	Diction Therman Cint
CCR	Central Contractor Registration
CEAR	Certificate of Excellence in Accountability Reporting
CF0	Chief Financial Officer
CIO	Chief Information Officer
CONUS	Continental United States
COTS	Commercial-Off-The-Shelf
CRM	Customer Relationship Management
CSBR	Combining Statement of Budgetary Resources
CSC	Client Support Center
CSRS	Civil Service Retirement System
	or our recommend by stein
DHS	Department of Homeland Security
DOD	Department of Defense
DOI	Department of Interior
DOL	Department of Labor
EA	Enterprise Architecture
EAS	Electronic Acquisition System
E-Authentication	Electronic identity proofing of individuals and businesses,
	based on risk of online services used
ECA	External Certification Authority
EDI	Electronic Data Interchange
EE0	Equal Employment Opportunity
EFT	Electronic Funds Transfer
eGov	Electronic Government
E0	Executive Order

# APPENDIX V: ACRONYMS AND ABBREVIATIONS

EPA	Environmental Protection Agency
Travel	A Web-based service for travel planning and authorization
	of reimbursement
TS	eTravel Service
uroUSN	United States Navy based in Europe
VMS	Earned Value Management System
AC	Federal Acquisition Counsel
AI	Federal Acquisition Institute
AIR	Federal Activities Inventory Reform
AR	Federal Acquisition Regulations
AS	Federal Asset Sales
ASAB	Federal Accounting Standards Advisory Board
BI	Federal Bureau of Investigation
BF	Federal Buildings Fund
CIC	Federal Citizen Information Center
CICF	Federal Consumer Information Center Fund
ECA	Federal Employees Compensation Act
edCIRC	Federal Computer Incident Response Center
EDS	Federal Disposal System
EDSIM	Federal Systems Integration and Management Center
EMA	Federal Emergency Management Agency
ERS	Federal Employees Retirement System
FB	Federal Financing Bank
FMIA	Federal Financial Management Improvement Act
F0	Funds From Operations
ICA	Federal Insurance Contribution Act
ISMA	Federal Information Security Management Act
MC	Fleet Management Center
MFIA	Federal Manager's Financial Integrity Act
MS	Financial Management Service
PDS	Federal Procurement Data Base
PLP	Federal Premier Lodging Program
PS	Federal Protective Service
RPC	Federal Real Property Council
RS	Frame Relay Service
SRM	Federal Security Risk Manager
SS	Federal Supply Service
SS-19	Commercial Acquisition and Supply Operating and
33 17	Management Information System
FTE	Full-Time Equivalent
FTR	Federal Travel Regulation
FTS	Federal Technology Service
FY	Fiscal Year

GAAP	Generally Accepted Accounting Principles	
GA0	Government Accountability Office	
GISRA	Government Information Security Reform Act	
GM	General Motors	
GM&A	General Management and Administration	
GPDS	General Services Administration Procurement Data System	
GPRA	Government Performance and Results Act	
GSA	General Services Administration	
GSAP	GSA Preferred	
GSF	General Supply Fund	
GWAC	Governmentwide Acquisition Contract	
HAVA	Help America Vote Act	
HHS	Health and Human Services	
HR	Human Resource	
HSS0	Heads of Services and Staff Offices	
HUBZone	Historically Underutilized Business Zones	
HVAC	Heating, Ventilation/Air Conditioning	
IAE	Integrated Acquisition Environment	
ID	Identity	
ID/IQ	Indefinite Delivery/Indefinite Quantity	
IDP	Individual Development Plan	
IG	Inspector General	
IGCE	Independent Government Cost Estimate	
IGTE	Intragovernmental Transaction Exchange	
IPIA	Improper Payments Information Act	
IRAS	Intragovernmental Reporting and Analysis System	
IRIS	Inventory Reporting Information System	
IT	Information Technology	
ITF	Information Technology Fund	
ITOMS	Integrated Task Order Management System	
ITSS	IT Solutions Shop	
IVR	Interactive Voice Response	
JFMIP	Joint Financial Management Improvement Program	
LEED	Leadership in Energy and Environmental Design	
LLP	Limited Liability Partnership	
MAA	Metropolitan Area Acquisition	
MAC	Multiple Award Contract	
MAS	Multiple Award Schedule	

# APPENDIX V: ACRONYMS AND ABBREVIATIONS

ИСО	Mission Critical Occupation
MCOC	Management Control Oversight Council
MD&A	Management's Discussion and Analysis
MFC	Most-favored customer
AON	Memorandum of Agreement
NASA	National Aeronautics and Space Administration
NCC	National Contact Center
NEAR	National Electronic Accounting and Reporting
NIB/NISH	National Institute for the Blind/National Institute for the
,	Severely Handicapped
NPIC	National Passport Information Center
DASDI	Old-Age, Survivors and Disability Insurance
CAO	Office of Chief Acquisition Officer
OCFO	Office of Chief Financial Officer
CIA	Office of Congressional and Intergovernmental Affairs
OCIO	Office of Chief Information Officer
CP0	Office of Chief People Officer
OCR	Office of Civil Rights
CS	Office Citizen Services
CSC	Office of Citizen Services and Communications
)EM	Office of Emergency Management
)FPP	Office of Federal Procurement Policy
OGC	Office of General Counsel
OGP	Office of Governmentwide Policy
DIG	Office of Inspector General
OMB	Office of Management and Budget
DMIS	Office of Information Technology Integration Management
,,,,,	Information System
OPI	Office of Performance Improvement
DPM	Office of Personnel Management
OPS	Office of Professional Services
OSBU	Office of Small Business Utilization
PAD	Pre-Authorized Debits
PADC	Pennsylvania Avenue Development Corporation
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PBS	Public Building Service
PIB	Procurement Information Bulletin
PMA	President's Management Agenda
PMA PMP	President's Management Agenda Performance Management Process

PwC	
- WC	PricewaterhouseCoopers
R&A	Repair and Alteration
RA	Regional Administrators
ROADS	Requisitioning, Ordering and Documentation System
R0E	Return on Equity
RRB	Ronald Reagan Building
SARA	Services Acquisition Reform Act of 2003
SAS	Statement on Auditing Standards
SBA	Small Business Administration
SBU	Small Business Utilization
SF133	Standard Form 133: Statement of Budget Execution
	and Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SIOR	Society of Industrial and Office Realtors
SSA	Social Security Administration
STAR	System for Tracking and Administering Real Property
FADDO	
TARPS	Transportation, Accounts Receivable and Payable Systems
ГBD	To Be Determined
ГМО	Travel Management Office
ΓMSS	Transportation Management Services Solution
TOPS	Telecommunications Ordering and Pricing System
	Telecommunications Ordering and Pricing System Tracking and Ordering System
TOS	
TOS TSP	Tracking and Ordering System Thrift Savings Plan
TOS TSP	Tracking and Ordering System  Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales
TOS TSP U&D	Tracking and Ordering System Thrift Savings Plan Federal Personal Property Utilization, Donation, and Sales Program
TOS TSP U&D USAF	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force
TOS TSP U&D USAF USDA	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force United States Department of Agriculture
TOS TSP U&D USAF USDA USPS	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force United States Department of Agriculture United States Postal Service
TOS TSP  U&D  USAF USDA  USPS	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force United States Department of Agriculture
TOS TSP  U&D  USAF  USDA  USPS  USSGL	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force United States Department of Agriculture United States Postal Service
TOS TSP  U&D  USAF USDA  USPS USSGL	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force United States Department of Agriculture United States Postal Service United States Standard General Ledger  Veterans Administration
TOS TSP  U&D  USAF USDA  USPS USSGL	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force United States Department of Agriculture United States Postal Service United States Standard General Ledger
TOPS TOS TSP  U&D  USAF USDA  USPS  USSGL  VA  VERA  VOIP	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force United States Department of Agriculture United States Postal Service United States Standard General Ledger  Veterans Administration Voluntary Early Retirement Authority
TOS TSP  U&D  USAF USDA  USPS  USSGL  VA  VERA	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force United States Department of Agriculture United States Postal Service United States Standard General Ledger  Veterans Administration Voluntary Early Retirement Authority Voice over Internet Protocol
TOS TSP  U&D  USAF USDA  USPS  USSGL  VA  VERA	Tracking and Ordering System Thrift Savings Plan  Federal Personal Property Utilization, Donation, and Sales Program United States Air Force United States Department of Agriculture United States Postal Service United States Standard General Ledger  Veterans Administration Voluntary Early Retirement Authority Voice over Internet Protocol

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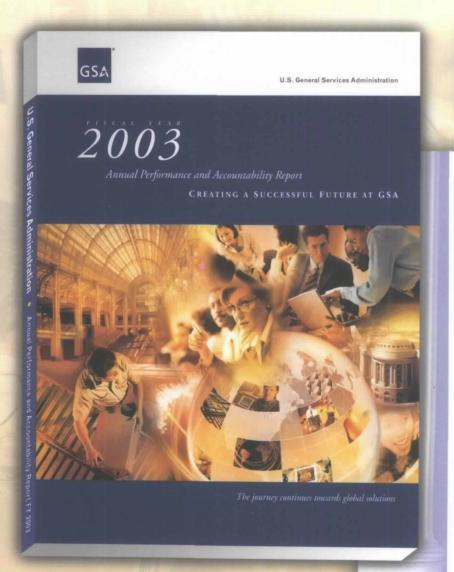
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